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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

INTERIM RESULTS

The board (the "Board") of directors (the "Directors", and each a "Director") of Perfectech International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2026 together with the comparative figures for the corresponding period in 2025.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

		(Unaudited) For the six months ended 30 June	
		2026	2025
	Notes	***HK$'000***	*HK$'000*
Revenue	3 & 4	**86,149**	61,958
Cost of sales		**(60,218)**	(41,784)
Gross profit		**25,931**	20,174
Other income, gains and losses, net	5	**2,064**	1,142
Distribution costs		**(1,050)**	(998)
Administrative expenses		**(30,092)**	(24,164)
Finance costs		**(1,447)**	(776)
Loss before tax	6	**(4,594)**	(4,622)
Income tax expense	7	**(49)**	(95)
Loss for the period		**(4,643)**	(4,717)

* *For identification purpose only*

	Notes	(Unaudited) For the six months ended 30 June **2026** ***HK$'000***	2025 *HK$'000*
Other comprehensive income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1,137**	226
Other comprehensive income for the period, net of tax		**1,137**	226
Total comprehensive expense for the period		**(3,506)**	(4,491)
Loss for the period attributable to:			
Owners of the Company		**(4,955)**	(4,284)
Non-controlling interests		**312**	(433)
Loss for the period		**(4,643)**	(4,717)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**(3,885)**	(4,222)
Non-controlling interests		**379**	(269)
Total comprehensive expense for the period		**(3,506)**	(4,491)
Loss per share	9		
Basic (HK cents per share)		**(1.01)**	(1.22)
Diluted (HK cents per share)		**(1.01)**	(1.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026

	Notes	**(Unaudited) 30 June 2026 *HK$'000***	(Audited) 31 December 2025 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**23,012**	16,812
Right-of-use assets		**9,390**	7,286
Rental deposit paid		**152**	—
		32,554	24,098
CURRENT ASSETS			
Inventories		**29,209**	16,731
Trade and other receivables	11	**37,310**	66,626
Financial assets at fair value through profit or loss ("FVTPL")		**19**	2,431
Tax recoverable		**1**	1,011
Bank balances and cash		**55,648**	25,493
		122,187	112,292
CURRENT LIABILITIES			
Trade and other payables	12	**35,447**	27,164
Lease liabilities		**2,215**	363
Tax liabilities		**9**	—
Amounts due to a related company	13	**23,715**	12,387
Amounts due to a substantial shareholder	14	**3,396**	2,396
Other borrowings	15	**3,450**	3,450
		68,232	45,760
NET CURRENT ASSETS		**53,955**	66,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**86,509**	90,630
NON-CURRENT LIABILITIES			
Lease liabilities		**7,270**	7,086
NET ASSETS		**79,239**	83,544

	(Unaudited) 30 June 2026 *HK$'000*	(Audited) 31 December 2025 *HK$'000*
CAPITAL AND RESERVES		
Share capital	**49,038**	49,038
Reserves	**22,863**	26,748
Equity attributable to owners of the Company	**71,901**	75,786
Non-controlling interests	**7,338**	7,758
TOTAL EQUITY	**79,239**	83,544

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard (the "HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee").

2. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS ("HKFRSs")

Except for the adoption of the revised HKFRSs stated below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2025.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11

The adoption of the revised HKFRSs has had no material effect on the Group's financial performance and positions for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold and services rendered by the Group to external customers, less returns and trade discounts during the period.

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Revenue from contracts with customers recognised at a point in time under HKFRS 15:		
Artificial Intelligence ("AI") application services	**8,733**	—
AI technical services	**4,501**	—
Toy products	**72,915**	61,958
Novelties and decoration product	**—**	—
	86,149	61,958

4. SEGMENT REPORTING

For management purposes, the Group is currently organised into three operating segments, namely the manufacture and sale of novelties and decoration products, the manufacture and sales of toy products and the AI application and technical services.

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

For the six months ended 30 June 2026 (Unaudited)

	AI application and technical services *HK$'000*	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales and total revenue	**13,234**	**—**	**72,915**	**86,149**
RESULT				
Segment results	**(4,438)**	**(500)**	**4,526**	**(412)**
Gain on disposal of financial assets at FVTPL				**37**
Fair value gain on financial assets at FVTPL				**45**
Unallocated corporate expenses, net				**(2,817)**
Finance costs				**(1,447)**
Loss before tax				**(4,594)**
Income tax expense				**(49)**
Loss for the period				**(4,643)**

At 30 June 2026 (Unaudited)

	AI application and technical services *HK$'000*	**Novelties and decoration products** *HK$'000*	**Toy products** *HK$'000*	**Consolidated** *HK$'000*
ASSETS				
Segment assets	**49,159**	**1,547**	**103,282**	**153,988**
Unallocated corporate assets				**753**
Consolidated total assets				**154,741**
LIABILITIES				
Segment liabilities	**8,804**	**479**	**34,816**	**44,099**
Unallocated corporate liabilities				**31,403**
Consolidated total liabilities				**75,502**

For the six months ended 30 June 2025 (Unaudited)

	AI application and technical services *HK$'000*	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales and total revenue	—	—	61,958	61,958
RESULT				
Segment results	—	(837)	(992)	(1,829)
Gain on disposal of financial assets at FVTPL				36
Fair value gain on financial assets at FVTPL				53
Unallocated corporate expenses, net				(2,106)
Finance costs				(776)
Loss before tax				(4,622)
Income tax expense				(95)
Loss for the period				(4,717)

At 31 December 2025 (Audited)

	AI application and technical services *HK$'000*	Novelties and decoration products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	—	2,012	82,897	84,909
Unallocated corporate assets				51,481
Consolidated total assets				136,390
LIABILITIES				
Segment liabilities	—	493	30,177	30,670
Unallocated corporate liabilities				22,176
Consolidated total liabilities				52,846

Geographical Information

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

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Revenue by geographical market:		
Hong Kong	**2,855**	1,156
Europe	**—**	1,483
United States of America	**3,253**	6,455
Asia (other than Hong Kong)	**80,041**	52,862
Others	**—**	2
	86,149	61,958

The following is an analysis of the carrying amount of segment assets analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets	
	(Unaudited)	(Audited)
	30 June	31 December
	2026	2025
	HK$'000	*HK$'000*
Hong Kong	**76,838**	73,000
The People's Republic of China (the "PRC")	**77,903**	63,390
	154,741	136,390

5. OTHER INCOME, GAINS AND LOSSES, NET

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Interest income from financial assets held for cash management purposes	**322**	30
Dividend income	**14**	—
Scrap and sample sales *(Note)*	**266**	—
Tooling income *(Note)*	**1,456**	416
Laboratory testing income *(Note)*	**—**	240
Packing income	**158**	—
Subsidies income from the PRC government	**42**	37
Gain on disposal of property, plant and equipment	**8**	15
Gain on disposal of financial assets at FVTPL	**37**	36
Fair value gain on financial assets at FVTPL	**45**	53
Net foreign exchange (losses) gain	**(998)**	85
Others *(Note)*	**714**	230
	2,064	1,142

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

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Depreciation		
— property, plant and equipment	**1,301**	1,642
— right-of-use assets	**947**	780
	2,248	2,422

7. INCOME TAX EXPENSE

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**49**	95
Total income tax expense recognised in profit or loss	**49**	95

8. DIVIDENDS

The board of directors of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2026 (2025: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the Group's loss for the period attributable to owners of the Company of approximately HK$4,955,000 (2025: HK$4,284,000) and the weighted average number of ordinary shares of 490,385,410 (2025: 351,151,824).

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the period ended 30 June 2025 has been adjusted for the effect of the rights issue completed on 8 December 2025.

Diluted loss per share for the periods ended 30 June 2026 and 2025 was the same as basic loss per share as there were no dilutive potential ordinary shares in issue for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$7,180,000 (2025: HK$1,280,000).

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for expected credit loss) of HK$25,721,000 (31 December 2025: HK$12,672,000). The Group allows an average credit period of 60 days to its trade customers in the novelties and decoration products segment and the toy products segment, and 12 months to its trade customers in the AI application and technical services segment. The following is an aging analysis of the Group's trade receivables, presented based on the invoice date and net of allowance for expected credit loss at the end of the reporting period:

	(Unaudited) 30 June 2026 ***HK$'000***	(Audited) 31 December 2025 *HK$'000*
0–60 days	**17,231**	10,655
61–90 days	**5,434**	1,989
91–120 days	**552**	1
Over 120 days	**2,504**	27
	25,721	12,672

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$16,494,000 (31 December 2025: HK$7,973,000). The following is an aging analysis of the Group's trade payables, presented based on the invoice date at the end of reporting period:

	(Unaudited) 30 June 2026 *HK$'000*	(Audited) 31 December 2025 *HK$'000*
0–60 days	**13,647**	7,303
61–90 days	**1,834**	209
91–120 days	**666**	80
Over 120 days	**347**	381
	16,494	7,973

13. AMOUNTS DUE TO A RELATED COMPANY

The amounts represented amounts due to a related company, which were interest-bearing at 12% per annum, unsecured and repayable on demand.

The related company is wholly owned by Ms. Lau Kwai Ngor, a director of certain subsidiaries. Mr. Poon Wai Yip, Albert, an executive director of the Company, is also a director of the related company.

14. AMOUNTS DUE TO A SUBSTANTIAL SHAREHOLDER

The amounts represented amounts due to a substantial shareholder which were interest-bearing at 6% per annum, unsecured and repayable within one year.

15. OTHER BORROWINGS

The amounts represented amounts due to certain independent third parties which were interest-bearing at 6% per annum, unsecured and repayable within one year.

16. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following transactions with related parties who are not members of the Group:

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Interest expenses payable to a related company *(Note 13)*	**928**	333

(b) Compensation of key management personnel

The remuneration of directors and other members of key management of the Company during the period were as follows:

	(Unaudited) For the six months ended 30 June	
	2026	2025
	HK$'000	*HK$'000*
Short-term benefits	**2,321**	2,640
Post-employment benefits	**18**	18
	2,339	2,658

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2026 (the six months ended 30 June 2025: Nil).

BUSINESS AND FINANCIAL REVIEW

Despite facing a tough operating environment, during the six months ended 30 June 2026, the Group's revenue increased by about 39% year-on-year to approximately HK$86,149,000 (2025: HK$61,958,000). The increase in revenue was mainly due to increase in sales of toy products and a new income stream deriving from the new artificial intelligence ("AI") application and technical services segment. The Group recorded a loss for the period attributable to owners of the Company of approximately HK$4,955,000 (2025: loss of HK$4,284,000). The basic and diluted loss per share of the Company were both at 1.01 HK cents (2025: both loss of 1.22 HK cents) after being adjusted for the effect of the rights issue completed on 8 December 2025.

For the six months ended 30 June 2026, the Group's core business recorded a loss of HK$412,000 (2025: loss of HK$1,829,000). The performance of each segment of the Group's core business is discussed below.

Toy products

The revenue of the toy products segment increased by about 18% year-on-year to approximately HK$72,915,000 (2025: HK$61,958,000), and accounted for approximately 85% of the total revenue of the Group. The profit of this segment was approximately HK$4,526,000 (2025: loss of HK$992,000). The increase in revenue and the turnaround from segment loss to segment profit were mainly attributable to the higher sales of toy products in the Asian market.

Novelties and decoration products

No revenue was derived from the novelties and decoration products segment for the six months ended 30 June 2026 and 2025 and a loss of approximately HK$500,000 was recorded which mainly comprised staff costs and factory overheads (2025: loss of HK$837,000).

AI application and technical services

The Group started to derive revenue from the provision of AI application and technical services for the six months ended 30 June 2026 in an amount of HK$13,234,000 (2025: HK$Nil), which accounted for approximately 15% of the total revenue of the Group for the six months ended 30 June 2026, and recorded a loss of approximately HK$4,438,000 mainly attributable to costs incurred from promoting research & development for technological advancement.

Distribution costs and administrative expenses

Distribution costs increased by about 5% year-on-year to approximately HK$1,050,000 (2025: HK$998,000) as a result of the increase in declaration cost.

Administrative expenses mainly consisted of staff costs (including directors' emoluments), social insurance for the administrative staff in the People's Republic of China (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 25% year-on-year to approximately HK$30,092,000 (2025: HK$24,164,000), which was mainly attributable to the increase in staff costs arising from increase in the number of full time employees of the Group, model training and cloud computing supplier fees and upgrading the Group's IT systems and business processes during the six months ended 30 June 2026.

Finance costs

Finance costs increased by about 87% year-on-year to approximately HK$1,447,000 (2025: HK$776,000), as a result of the increase in interest on amounts due to a related company and amounts due to a substantial shareholder.

Liquidity and financial resources

As at 30 June 2026, the Group had amounts due to a substantial shareholder of approximately HK$3,396,000 (31 December 2025: HK$2,396,000), amounts due to a related company of approximately HK$23,715,000 (31 December 2025: HK$12,387,000) and other borrowings of HK$3,450,000 (31 December 2025: HK$3,450,000). The Group's gearing ratio, calculated on the basis of the aggregate of the amounts due to a substantial shareholder, the amounts due to a director of subsidiaries and other borrowings over the equity attributable to owners of the Company, was approximately 40% (31 December 2025: 23%).

As at 30 June 2026, the Group had bank balances and cash of approximately HK$55,648,000 (31 December 2025: HK$25,493,000). With net current assets of approximately HK$53,955,000 as at 30 June 2026 (31 December 2025: HK$66,532,000), the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value per share of the Company as at 30 June 2026 was approximately HK$0.15 (31 December 2025: HK$0.16), calculated on the basis of the equity attributable to owners of the Company of approximately HK$71,901,000 (31 December 2025: HK$75,786,000) over the number of issued shares of the Company on the same date of 490,385,410 (31 December 2025: 490,385,410).

Pledge of Assets

The Group did not have any pledged asset as at 30 June 2026 (31 December 2025: HK$Nil).

Contingent Liabilities

There have been no changes in the Group's contingent liabilities since 31 December 2025.

Significant investments

As at 30 June 2026, the Group held financial assets at fair value through profit or loss ("FVTPL") amounted to approximately HK$19,000 (31 December 2025: HK$2,431,000), including equity securities listed in Hong Kong of approximately HK$4,000 (31 December 2025: HK$3,000), debt securities listed outside Hong Kong of approximately HK$15,000 (31 December 2025: HK$16,000), nil unlisted funds (31 December 2025: HK$498,000) and nil unlisted equity-linked notes (31 December 2025: 1,914,000). Gain on disposal of financial assets at FVTPL amounted to approximately HK$37,000 (2025: gain of HK$36,000) and fair value gain on financial assets at FVTPL amounted to approximately HK$45,000 (2025: gain of HK$53,000) during six months ended 30 June 2026.

Material Acquisitions and Disposals of Subsidiaries and Associates

During the six months ended 30 June 2026, the Group did not have material acquisitions or disposals of subsidiaries or associates.

Employees and remuneration policies

As at 30 June 2026, the Group employed approximately 700 (31 December 2025: 670) full time employees. The Group remunerates its employees primarily based on prevailing industry practice as well as individual merits. The Group regularly reviews its remuneration policy with reference to the latest laws and regulations, market conditions, and performance of employees and the Group.

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 and business premises 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 fluctuations in foreign currency and exchange rates, and will closely monitor the trend of RMB to see if any action is required. As at 30 June 2026, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The 2024 Chinese Government Work Report first proposed the launch of the "AI+" initiative, accelerating the deep integration of AI with the real economy and the transition of society and the economy into a new era of intelligence driven by AI.

In recent years, with the rapid evolution of large models, generative AI and AI agent, the AI industry has flourished and accelerated its transition from technology research and development ("R&D") and model training to large-scale commercial application. According to estimates by the China Academy of Information and Communications Technology (中國信息通信研究院), the scale of China's AI industry exceeded RMB1.2 trillion in 2025, representing a year-on-year increase of 40%. The AI applications accounted for 55% of the total industry scale, representing a year-on-year increase of 22%, indicating that AI technology is accelerating into its infiltration in various practical business scenarios. Meanwhile, according to the "Generative AI Applications Development Report (2025)" (生成式人工智能應用發展報告(2025)) released by the China Internet Network Information Center (中國互聯網信息中心) in October 2025, as of June 2025, the number of generative AI users in China had reached 515 million, an increase of 106.6% compared with the end of 2024. AI applications widely covered areas such as intelligent search, content generation, office assistant, smart hardware, industrial manufacturing, and scientific research. As AI application scenarios continue to expand and the usage scale keeps growing, the demand for AI computing power required for large model training, model inference and AI application operations also continues to rise. Therefore, the rapid development of the AI industry is expected to simultaneously drive both upstream intelligent computing power infrastructure and computing power services, as well as the development of downstream market for AI applications and solution, presenting a vast market opportunity for participants across the relevant industry chain.

* *The English translation of Chinese names or words are included for reference only and should not be regarded as the official English translation of such Chinese names or words.*

Aligning with this trend, the Company established a wholly-owned subsidiary, Perfectech AI HK Limited ("Perfectech AI HK"), in June 2025, to launch a technology service business centered on AI large models ("AI Large Model(s)"), focusing on constructing foundational models and exploring enterprise applications in database services, computing power services, multi-semantic understanding, multi-modal content generation, and intelligent interaction. The Company is currently forming a team to construct the model framework and conduct pilot deployments around several cooperative scenarios.

Concurrently, the Company is considering the application of large model technology to its existing core business with extensive needs in product design, marketing content generation, consumer interaction, and other areas. Internal testing for related applications is underway and is expected to improve the Company's operational efficiency and user experience in its existing core business.

The Group's management is committed to increasing its investment in this technology service business, adopting a diversified business development strategy, entering new markets, and expanding its business to maintain competitiveness under its "Strengthening the core business + Planning for the future" strategy, while leveraging capital market tools to provide resource guarantees for subsequent product development and market expansion.

In fulfilling the Group's investment need in developing the AI Large models and this new technology service business, on 8 December 2025, the Company completed the rights issue on the basis of one (1) new ordinary share of the Company ("Rights Share(s)") for every two (2) existing ordinary shares of the Company ("Share(s)") at a price of HK$0.295 per Rights Share on a non-underwritten basis (the "Rights Issue"). The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, are approximately HK$46.74 million, of which approximately HK$36.74 million will be applied towards investing in the development of the large model business to develop next-generation technology.

Looking forward, subject to the Group's business needs, market conditions and resource allocation, the Group intends to gradually increase its investment in R&D of AI-enabled toy products and intelligent production equipment, thereby further promoting the application of relevant technologies in product development and production operations.

Save as disclosed above and in the Company's prospectus dated 14 November 2025 (the "Prospectus"), as at 30 June 2026, the Group did not have any other future plans for material investments or capital assets for the second half of 2026.

Equity fund-raising activities of the Company in the past 12 months

The Company has conducted the following equity fund-raising activities in the past twelve months immediately prior to the date of this announcement:

Date of relevant announcements, circular and/or prospectus	Events	Net proceeds (Approximately)	Intended use of Proceeds
26 September 2025, 14 November 2025 and 5 December 2025	Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares	HK$46.74 million	(i) approximately HK$36.74 million will be applied towards investing in the development of the large model business to develop next-generation technology, specifically: (a) approximately HK$11.78 million will be used to promote R&D for technological advancement; (b) approximately HK$16.46 million will be used for model training and cloud computing supplier fees; (c) approximately HK$4.25 million will be used for establishing a market promotion team and for business promotion expenses; (d) approximately HK$4.25 million will be used for upgrading the Group's IT systems and business processes; and (ii) approximately HK$10 million will be applied towards supplementing the general working capital of the Group

Save as disclosed above, the Company has not conducted any equity fund-raising activities in the six months ended 30 June 2026 and in the past twelve months immediately prior to the date of this announcement.

Use of proceeds

The total net proceeds raised from the Rights Issue (the "Net Proceeds") were approximately HK$46.74 million after deducting professional fees and all other relevant expenses in connection with the Rights Issue.

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amount of the Net Proceeds as at 31 December 2025 and 30 June 2026, respectively:

Intended use of Net Proceeds	Approximate percentage of total amounts allocated	Actual Net Proceeds allocated	Utilised amount up to 31 December 2025 *(Note)*	Unutilised amount as at 31 December 2025 *(Note)*	Utilised amount throughout the six months ended 30 June 2026	Unutilised amounts as at 30 June 2026	Expected timeline
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
(i) investing in the development of the large model business to develop next-generation technology, specifically:							
(a) promote R&D for technological advancement	25.2%	11,780	0	11,780	8,294	3,486	By 31 December 2026
(b) model training and cloud computing supplier fees	35.22%	16,460	0	16,460	1,152	15,308	By 31 December 2026
(c) establishing a market promotion team and for business promotion expenses	9.09%	4,250	0	4,250	4,250	0	By 31 December 2026
(d) upgrading the Group's IT systems and business processes	9.09%	4,250	0	4,250	1,753	2,497	By 31 December 2026
(ii) General working capital of the Group	21.39%	10,000	0	10,000	6,859	3,141	By 31 December 2026
Total	100%	46,740	0	46,740	22,308	24,432	

Note:

Given that completion of the Rights Issue only took place in early December 2025, and the Company actually received the Net Proceeds in early January 2026, none of the Net Proceeds had been utilised as at 31 December 2025, with all of the Net Proceeds remaining unutilised as at 31 December 2025.

As at the date of this announcement, the unutilised Net Proceeds were placed as bank deposits with licensed banks in Hong Kong. All the Net Proceeds utilised throughout the six months ended 30 June 2026 had been used, and the unutilised Net Proceeds as at 30 June 2026 are intended to be utilised in accordance with the original intended uses as previously disclosed in the Prospectus in relation to the Rights Issue and the expected timeline set out in the table above.

PROSPECT

The Group is principally engaged in the manufacture and sale of novelties, decorations and toy products as well as provision of AI application and technical services.

Although the global economy was hard hit by the resurgence of trade protectionism and economic uncertainties, coupled with array of factors including challenging international trade environment with stricter regulations, rising costs for raw materials and labor, intensified competition from larger multinational brands as well as shift in consumer preference towards intelligent and digital products, the Group's toy business still maintained a stable growth by approximately 18% year-on-year for the six months ended 30 June 2026. The Directors believe that the growth on the toy business segment will be continued in the second half of 2026.

While the Group continues to be committed to developing its existing business operations, it also intends to actively explore new business opportunities. The Group has been aware of rapid emerging business opportunities arising from AI and AI Large Models driven from clear and forceful policy support by the PRC government in the form of subsidies and incentives, rapid expansion of computing power infrastructure leading to continuous market scale growth, accelerating adoption of AI and AI Large Models by enterprise resulting in strong market demand, and diversity and scalability in broad application scenarios with clear commercial prospects as traits of AI and AI Large Models.

In order to harness the business opportunities generated from AI Large Models, in June 2025, the Company established a wholly-owned subsidiary, Perfectech AI HK to launch a technology service business centered on AI Large Models. This business focuses on foundational model construction and enterprise application exploration for capabilities such as database services, computing power services, multi-semantic understanding, multi-modal content generation, and intelligent interaction. The Company's AI Large Models is featured by its highly advanced system that learns and processes vast amounts of data. Unlike traditional programs which are typically executed with fixed instructions, it improves its ability to understand and communicate through training. It can process natural language, recognize and create images, and support personalized content. By mastering this technology, the Company is able to provide AI digital advertising services, computing and cloud services, database and intelligent interaction services, and financial risk management services.

In reliance of such AI Large Models, the Group is expected to provide single or combination of the following services in developing its new business and revenue model:

(a) ***For AI digital advertising services***, the Group expects to develop digital advertising solutions based on AI Large Models, including advertisement content generation and placement strategy formulation. Upon completion of the AI Large Model training, the Company will be able to apply the developed solutions, with the objective to increase advertisement conversion rate through precise keyword matching and dynamic optimization of strategies, to place advertisements on various online platforms (including social media, search engines, and in-app advertising) and pay the corresponding advertisement slot fees. The clients shall pay project-based advertising planning and placement fees, technical service fees, and agency commissions, in return.

(b) ***For computing and cloud services***, the Group expects to allocate high-performance graphics processing units and cloud computing resources through leasing, purchasing, self-construction and/or deployment of relevant infrastructure and cloud computing resources.

(c) ***For database and intelligent interaction services***, based on the developed AI support, the Group expects to offer database optimization, AI-powered question-answering systems, customer service bots, and knowledge management systems, where clients pay system integration fees, application programming interface (API) usage fees, and monthly subscription fees.

(d) ***For financial risk management services***, the Group expects to develop AI solutions for financial institutions for intelligent credit assessment, risk monitoring, and anti-fraud models through pattern recognition and multidimensional data analysis, where clients pay project-based fees or usage-based fees.

Led by our executive Directors, namely Mr. Zhong Shihui and Mr. Li Haiyang, who have extensive experience in information technology, cloud, databases, enterprise information technology, software development and AI applications, the Group is currently building a team for model framework construction and conducting pilot deployments around several cooperative scenarios. The Group is also establishing a R&D center in Guangzhou and an operation center in Hong Kong to leverage talent and connect with local and international markets, driving commercialization and sustainable growth of our AI-driven technology services business.

During the six months ended 30 June 2026, the Group continued to advance the commercialization of the AI-related business and has made initial progress. During the period, the AI-related business of the Group generated actual income, in which the AI application services business generated income of approximately HK$8,733,000 and the AI technical services business generated income of approximately HK$4,501,000.

The AI application services business primarily utilizes the Group's AI Large Model and related technical capabilities to provide customers with AI data application related services. The AI technical services business focuses on the application of AI technology in practical business scenarios to provide customers with relevant AI application services. The income generated by the aforementioned businesses during the period reflects that the Group's AI-related technologies have gradually transitioned from the initial stages of R&D and exploration application to the commercialization application phase.

The Group will continue to refine its AI Large Model and related technical capabilities and in accordance with customers' needs and market development, expand the application of AI technology across various business scenarios, as well as further exploring commercialization opportunities and income streams for AI-related business. After services are completed, the related service fees will be settled in accordance with the terms of the relevant agreement and the actual circumstances of the services performed. During the six months ended 30 June 2026, the Group invested in acquiring and deploying certain intelligent equipment for toy manufacturing with a view to enhancing production efficiency. Looking forward, subject to the Group's business needs, market conditions and resource allocation, the Group intends to gradually increase its investment in R&D of AI-enabled toy products and intelligent production equipment, thereby further promoting the application of relevant technologies in product development and production operations. Meanwhile, the Group successfully commercialised its AI applications, commenced collaborations with certain customers and generated revenue from such activities during the period.

In the meantime, the Board believes that the core capabilities developed in the AI Large Models can address the challenges in its existing toy business by supporting and pursuing future digitalization of its toy business in the following manner:

(1) Enhancing production efficiency through automation and internally developed AI application

The Company has independently designed and developed an internal AI manpower system that enables intelligent scheduling and performance management, effectively improving work efficiency and the accuracy of resource allocation. At the same time, the Company is also continuously improving its internal AI knowledge base to accumulate and share production and management expertise, further promoting the automation and intelligence of business processes in its toy business.

The AI Large Models, when fully developed, is expected to further improve production efficiency of the Group's toy business through: (1) implementing AI-powered monitoring and predictive maintenance systems in our factories to minimize downtime and defects, therefore reducing manufacturing costs; (2) utilizing AI systems to speed up the processing of new customer orders; and (3) integrating data models into the enterprise resource planning system of the toy business to improve the accuracy of sales forecasting and inventory control, therefore maintaining inventory at reasonable levels and improving capital turnover efficiency. Particularly, the core capabilities of these AI Large Models can be adapted to enhance supply chain management for the Company's toy business through real-time monitoring of machinery operations, production scheduling and tracking delivery schedules.

(2) Strengthening supply chain management to counter cost volatility

The Company is optimizing raw material procurement and inventory management by establishing a digital supply chain management system, enabling real-time monitoring of key material prices and delivery schedules, thereby enhancing supply chain transparency and responsiveness. The Company has also established long-term cooperation mechanisms with key suppliers to lock in costs, ensure stable production capacity, and mitigate the impact of raw material price fluctuations on operations. Again, the AI Large Models, when fully developed, can connect our AI services with supply chain and factory management systems of the toy business to refine staff scheduling and performance tracking, therefore boosting overall productivity.

(3) Upgrading the product engineering by exploring innovative, high-value-added product lines that integrate emerging technologies like AI-assisted engineering design

The Company is actively exploring the integration of AI technology into product development, focusing on areas such as AI-assisted engineering design, personalized customization, and interactive intelligent products. The R&D team will collaborate with the engineering design team to build an engineering design database, leveraging AI tools to enhance engineering design efficiency.

The Board believes that the said AI Large Models technology, when developed and integrated with the existing toy business, will gradually improve operational efficiency and ensure the business's long-term competitiveness, despite the short-term difficulties, as the said AI Large Models aim to build a knowledge reserve through the accumulation of relevant technologies and capabilities, forming transferable technical expertise to support the future digitalization of the Company's toy business. The Company is also considering applying the AI Large Models to other aspects of its existing core business, which has extensive needs in areas such as marketing content generation, and consumer interaction. Internal testing of related applications is underway, with the potential to enhance the Company's operational efficiency and user experience in its existing core business.

During the period, the Group continued to advance the commercialization of the AI business and provided AI application-related services to customers. Building on this foundation, the Group further expanded its AI business layout by establishing and putting into use its computing power and AI model invocation service platform, which offers customers access to computing resources and AI model invocation services. Currently, certain potential customers have expressed preliminary interest in utilizing the aforementioned platform and related services, and the Group is engaging in commercial discussions with such customers regarding potential collaborations. As of the date of this announcement, the discussions remain in preliminary stage, and there is no assurance that the Group will enter into formal agreements with any potential customers or that the relevant collaborations will ultimately materialize or generate revenue.

With the application of the development of AI Large Models technology and related application technologies, the Group is also actively driving the integration of AI technology into its existing business and new product development. In the traditional toy business, the Group plans to progressively incorporate AI technologies into product R&D and functionality upgrades, and to explore the development of AI toys, smart devices and related solutions to enrich its existing product portfolio and to expand into new application scenarios. Concurrently, the Group will continue to develop AI application services for enterprise customers and leverage its computing power and AI model invocation service platform to provide the necessary technical and resource support for the development, deployment and operation of AI applications, thereby progressively building a business layout encompassing both AI applications and related infrastructure services.

Going forward, the Group will adhere to its strategic direction under the "Strengthen Core Business + Future Layout" by continuing to advance product upgrades and intelligent development of traditional toy business, while expanding the AI-related businesses. The Group intends to increase the investment in AI applications, computing resources and related technology platforms in due course based on market demand, customers expansion progress and business development progress, and will proactively explore commercialization opportunities for AI technology across different industries and business scenarios. Management believes that, with the continued evolution of AI technology, the broadening of application scenarios, and the growing enterprise demand for related computing power and AI services, AI applications and related infrastructure services are well-positioned to become a key growth driver for the Group's future business diversification and long-term development.

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

During the six months ended 30 June 2026, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares). As at 30 June 2026, the Company did not hold any treasury shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted a corporate governance code, based on the principles and code provisions (the "Code Provisions") of the latest revised Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules from time to time.

Throughout the six months ended 30 June 2026, the Company has complied with the Code Provisions save for the following deviation:

Code Provision C.2.1 of the Code stipulates that the roles of chairman and chief executive 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 chief executive officer ("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 with appropriate experience to act as the CEO.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2026 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code.

Specific enquiries have been made with all the Directors and they have confirmed that throughout the six months ended 30 June 2026, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "Audit Committee") which comprises all independent non-executive Directors, namely Mr. Fung Chan Man, Alex, Ms. Chan Po Lam and Mr. Lau Shu Yan, who is also the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited consolidated interim results and interim report for the six months ended 30 June 2026, including the accounting policies, principles and practices adopted by the Group.

PUBLICATION OF 2026 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.perfectech.hk). The interim report for the six months ended 30 June 2026 of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above-mentioned websites in due course.

By order of the Board
Perfectech International Holdings Limited
Zhong Shihui
Executive Director

Hong Kong, 31 August 2026

As at the date of this announcement, the Board comprises Mr. Poon Wai Yip, Albert, Mr. Zhong Shihui and Mr. Li Haiyang as executive Directors and Mr. Fung Chan Man, Alex, Mr. Lau Shu Yan and Ms. Chan Po Lam as independent non-executive Directors.

* *For identification purposes only*