Monday, Sep. 15, 2008

Perfectenergy International Reports Record Third Quarter

Fiscal 2008 Financial Results

¶ -- Revenues Rose 380% to $17.7 Million ¶ -- Gross Margin Expanded to 7.2% from 2.5% a Year Ago ¶ -- Net Income Rose to $2.5 Million, or $0.09 per share

SHANGHAI, China — Perfectenergy International Ltd., (OTC: PFGY), a rapidly growing solar energy company, today announced financial results for the third fiscal quarter ended July 31, 2008.

Revenues rose 380% to $17.7 million, from $3.7 million for the third fiscal quarter of 2007. This increase was primarily the result of meeting the demand from existing sales backlog in the key geographic areas of the U.K., Germany and Spain that were achievable as a result of the expansion of the Company's solar cell and solar module production facility in May 2008.

Gross profit for the three months ended July 31, 2008 totaled $1.3 million, or 7.2% of revenues, compared with gross profit of $93,655, or 2.5% of revenues, for the same fiscal quarter in 2007. The increase in gross profit was mainly due a product mix favoring higher margin PV module products and an increase in the use of self-manufactured PV cells during production.

Selling, general and administrative expenses totaled $1.3 million, or 7.1% of sales, for the three months ended July 31, 2008 compared with $171,200, or 4.7% of sales, for the same period last year. Research and development costs (R&D) were approximately $42,600 for the three months ended July 31, 2008, compared with $33,000, in the third fiscal quarter of 2007.

Net income for the third quarter ended July 31, 2008 was $2.5 million, or $0.09 per share, compared with a net loss of $0.1 million, or $0.01 per share, for the same period in 2007. Net income benefited from economies of scale resulting from expanded production facility and the positive impact from the change in the fair market value of outstanding warrants.

Perfectenergy's President and CEO, Jack Li, stated, "This quarter's financial performance reflected continuing demand in our target European geographic areas for our higher margin modules. We are very pleased with the progress we made during the quarter on a number of fronts. In particular, we signed a letter of intent with Tianjin HuanOu Semiconductor Material Technology Co., Ltd. to buy $360 million in silicon wafers over a five year period, ensuring sufficient raw materials to meet our existing backlog. Details of the benefits of this agreement will be forthcoming. We now expect construction of our new solar cell production facility, which will give us lamination and cell production capacity of 200MW, to begin in October and be completed in late 2009. Overall, we are confident in our ability realize continued top and bottom line expansion due to continued execution of our business plan and growth in our contract backlog."

Financial Results for the Nine Months Ended July 31, 2008

Comparing the nine months ended July 31, 2008 to the nine months ended July 31, 2007:

-- Revenues rose more than 600% to $41.1 million from $5.8 million, due primarily to increased sales of solar cells and solar modules, which was achievable as a result of the expanded production facilities.

-- Cost of revenues were $38.1 million, or 93% of sales, compared with $5.6 million, or 96% of sales last year.

-- Gross profit was $3.0 million compared with approximately $224,500, representing gross margins of approximately 7.3% and 3.9%, respectively. The increase in the Company's gross profit was mainly due to economic of scales in the production as well as the production and increased sales of higher margin products.

-- Selling, general and administrative expenses totaled $4.7 million, up from $713,600, due primarily to additional expenses incurred in connection with the office facility expansion and the hiring of new employees and stock-based compensation expense.

-- R&D costs totaled approximately $145,400 and included salaries, consultant fees, supplies and materials for samples, as well as overhead costs, which include rent, utilities, and other expenses. For the nine months during 2007, R&D expense totaled approximately $33,000.

-- Net income was $8.8 million compared with a loss of $0.5 million a year ago. The increase in net income is attributable to additional profits generated from the expanded production facilities as well as the positive impact from the change in fair market value of outstanding warrants.

As of July 31, 2008, Perfectenergy had cash and equivalents totaling $5.1 million, compared to $9.7 million at October 31, 2007.

ABOUT PERFECTENERGY

Perfectenergy International Limited designs, manufactures, and markets customized and standard photovoltaic (PV) solar cells, modules and systems for the worldwide solar market. Perfectenergy sells its products in Europe, China, and other parts of Asia. The Company is headquartered in Shanghai, China.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 involving known and unknown risks, delays, and uncertainties that may cause actual results or performance to differ materially from those expressed or implied by these forward-looking statements. These risks, delays, and uncertainties include, but are not limited to: risks associated with the uncertainty of future financial and operating results, reliance on a limited number of suppliers, the limited diversification of the Company's product offerings, additional financing requirements, development of new products, government approval processes, the impact of competitive products or pricing, technological changes, the effect of economic conditions and other uncertainties detailed in the Company's filings with the Securities and Exchange Commission including without limitation, the Form 10-KSB, as amended, for the Company's fiscal year ended October 31, 2007. The Company undertakes no obligation to update any forward-looking statements.

PERFECTENERGY INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2008 AND OCTOBER 31, 2007

ASSETS

	July 31, 2008 Unaudited	October 31, 2007
CURRENT ASSETS:		
Cash	$ 5,148,593	$ 9,701,545
Accounts receivable	3,107,553	13,834
Other receivables and refundable deposit	276,582	14,901
Inventories		
Raw materials	1,918,527	1,941,734
Work in process	1,717,372	310,192
Finished goods	1,768,555	1,854,882
Prepayments	10,071,998	1,375,401
Deferred expenses	-	348,993
Deferred tax assets	-	75,725
Total current assets	24,009,180	15,637,207

EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	6,458,745	1,866,527
OTHER ASSETS:		
Advances on equipment purchases	1,561,874	1,169,616
Total assets	$ 32,029,799	$18,673,350

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable and other payable	$ 7,293,192	$ 509,077
Accrued liabilities	981,633	55,403
Customer deposits	6,417,912	1,348,574
Taxes payable	60,469	3,772
Total current liabilities	14,753,206	1,916,826
FAIR VALUE OF DERIVATIVE INSTRUMENTS	1,531,430	12,466,686
COMMITMENTS AND CONTINGENCIES	-	-

SHAREHOLDERS' EQUITY:		
Common stock, $.001 par value, 94,250,000 shares authorized, 29,626,916 and 29,575,761 shares issued and outstanding as of July 31, 2008 and October 31, 2007, respectively	29,627	29,576
Additional paid-in capital	6,099,586	4,717,506
Statutory reserves	110,068	110,068
Retained earnings (deficit)	8,088,422	(759,778)
Accumulated other comprehensive income	1,417,460	192,466
Total shareholders' equity	15,745,163	# 4,289,838
Total liabilities and shareholders' equity	$ 32,029,799	$18,673,350

PERFECTENERGY INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THREE MONTHS AND NINE MONTHS ENDED JULY 31, 2008 AND 2007
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	July 31, 2008	July 31, 2007	July 31, 2008	July 31, 2007
REVENUES	$17,699,289	$ 3,677,138	$41,088,361	$ 5,789,760
COST OF REVENUES	16,416,328	3,583,483	38,099,065	5,565,239

GROSS PROFIT	1,282,961	93,655	2,989,296	224,521
OPERATING EXPENSES				
Selling, general and administrative	1,265,404	171,236	4,738,345	713,649
Research and development	42,605	33,321	145,394	33,321
Total operating expenses	1,308,009	204,557	4,883,739	746,970
LOSS FROM OPERATIONS	(25,048)	(110,902)	(1,894,443)	(522,449)
OTHER INCOME (EXPENSES)				
Interest expense and other charges	(3,030)	(360)	(35,573)	(11,475)
Interest income	6,514	1,175	75,222	2,277
Non-operating income	464	-	21,482	-
Non-operating expense	(51,491)	-	(64,165)	(147)
Change in fair value of derivative instruments	2,657,382	-	10,935,256	-
Total other income (expense), net	2,609,839	815	10,932,222	(9,345)
INCOME (LOSS) BEFORE PROVISION FOR INCOME				

TAXES	2,584,791	(110,087)	9,037,779	(531,794)
PROVISION FOR INCOME TAXES	51,305	-	189,580	-
NET INCOME (LOSS)	2,533,486	(110,087)	8,848,199	(531,794)
OTHER COMPREHENSIVE INCOME:				
Foreign currency translation adjustments	367,916	44,427	1,224,994	105,828
COMPREHENSIVE INCOME (LOSS)	$ 2,901,402	$ (65,660)	$10,073,193	$ (425,966)
EARNINGS PER SHARE				
Basic	$ 0.09	$ (0.01)	$ 0.30	$ (0.02)
Diluted	$ 0.09	$ (0.01)	$ 0.29	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES				
Basic	29,626,916	22,301,158	29,603,019	22,301,158
Diluted	29,626,916	22,301,158	30,043,171	22,301,158

PERFECTENERGY INTERNATIONAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR NINE MONTHS ENDED JULY 31, 2008 AND 2007
(UNAUDITED)

	Nine Months Ended	
	July 31, 2008	July 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 8,848,199	$ (531,794)
Adjustments to reconcile net income to cash Provided by operating activities:		
Depreciation	239,439	110,928
Inventory write-off	88,780	21,004
Loss from disposal of equipment	-	34,020
Compensation expense for options issued to employees	1,188,755	4,555
Change in fair value of derivative instruments	(10,935,256)	-
Late registration penalties	1,079,467	-
Changes in assets and liabilities:		
Accounts receivable	(2,972,632)	(212,294)
Other receivables and refundable deposit	(250,286)	9,453
Inventories	(973,032)	(450,503)
Prepayments	(8,256,732)	46,953
Deferred expenses	367,015	(9,962)
Deferred tax assets	79,636	-
Accounts payable and other payable	6,490,816	(184,749)
Accrued liabilities	391,325	(26,869)
Customer deposits	4,781,733	1,731,056
Taxes payable	54,579	(109,218)
Net cash provided by operating activities	221,806	432,580

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment and construction in progress	(4,485,609)	(217,431)
Advances on equipment purchases	(271,342)	-
Net cash used in investing activities	(4,756,951)	(217,431)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	26,250	-
Borrowings from shareholders and officers	-	32,375
Payments on shareholders and officers loan	-	(231,805)
Payment on late registration penalties	(390,738)	-
Net cash used in financing activities	(364,488)	(199,430)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	346,681	1,671
(DECREASE) INCREASE IN CASH	(4,552,952)	17,390
CASH, beginning of period	9,701,545	66,870
CASH, end of period	$ 5,148,593	$ 84,260

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