



# Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability  
Stock Code: 00765



## 2020 INTERIM REPORT

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Li Shaohua  
(*Chief Executive Officer*)  
Mr. Poon Wai Yip, Albert

### Non-executive Director:

Ms. Zhu Yuqi (*Chairman*)  
(appointed on 19 June 2020)  
Mr. Gao Xiaorui (*Chairman*)  
(resigned on 19 June 2020)

### Independent Non-executive Directors:

Mr. Lau Shu Yan  
Mr. Xie Xiaohong  
Mr. Qin Feng  
(appointed on 26 August 2020)  
Mr. Lam Tak Leung  
(resigned on 26 August 2020)

## AUDIT COMMITTEE

Mr. Lau Shu Yan (*Committee Chairman*)  
Mr. Xie Xiaohong  
Mr. Qin Feng  
(appointed on 26 August 2020)  
Mr. Lam Tak Leung  
(resigned on 26 August 2020)

## REMUNERATION COMMITTEE

Mr. Qin Feng (*Committee Chairman*)  
(appointed on 26 August 2020)  
Mr. Xie Xiaohong  
Mr. Lau Shu Yan  
Mr. Lam Tak Leung (*Committee Chairman*)  
(resigned on 26 August 2020)

## NOMINATION COMMITTEE

Ms. Zhu Yuqi (*Committee Chairman*)  
(appointed on 19 June 2020)  
Mr. Xie Xiaohong  
Mr. Qin Feng  
(appointed on 26 August 2020)  
Mr. Gao Xiaorui (*Committee Chairman*)  
(resigned on 19 June 2020)  
Mr. Lam Tak Leung  
(resigned on 26 August 2020)

## COMPANY SECRETARY

Mr. Leung Tak Ho

## AUTHORISED REPRESENTATIVES

Mr. Li Shaohua  
Mr. Leung Tak Ho

## AUDITOR

HLM CPA Limited  
*Certified Public Accountants*

## LEGAL ADVISER

Cheung Tong & Rosa Solicitors

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

## PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
4th floor North Cedar House  
41 Cedar Avenue  
Hamilton HM12 Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

Victoria Place  
5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

15/F, Sun Hing Industrial Building  
46 Wong Chuk Hang Road  
Aberdeen  
Hong Kong

## WEBSITE

[www.perfectech.com.hk](http://www.perfectech.com.hk)

The board (the “Board”) of directors (the “Directors”, each a “Director”) of Perfectech International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

		(Unaudited) For the six months ended 30 June	
	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3 & 4	71,344	64,555
Cost of sales		<b>(46,305)</b>	(56,680)
<hr/>			
Gross profit		25,039	7,875
Other income, gains and losses	5	1,741	1,902
Distribution costs		<b>(1,405)</b>	(1,521)
Loss from changes in fair value of an investment property	10	<b>(1,900)</b>	—
Administrative expenses		<b>(26,326)</b>	(35,235)
Impairment loss on property, plant and equipment	10	<b>(1,056)</b>	—
Finance costs		<b>(1,442)</b>	(674)
<hr/>			
Loss before tax	6	<b>(5,349)</b>	(27,653)
Income tax (expense) credit	7	<b>(737)</b>	546
<hr/>			
<b>Loss for the period</b>		<b>(6,086)</b>	(27,107)
<hr/>			
<b>Other comprehensive (expense) income for the period, net of tax</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of leasehold land and building held for own use upon change of use to earning rental		—	16,101
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of overseas operations		<b>(161)</b>	16
<hr/>			
<b>Other comprehensive (expense) income for the period, net of tax</b>		<b>(161)</b>	16,117
<hr/>			
<b>Total comprehensive expense for the period</b>		<b>(6,247)</b>	(10,990)
<hr/>			

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

*For the six months ended 30 June 2020*

	(Unaudited)	
	For the six months ended	
	30 June	
	2020	2019
<i>Note</i>	HK\$'000	HK\$'000
Loss for the period attributable to:		
Owners of the Company	(7,151)	(26,485)
Non-controlling interests	1,065	(622)
	(6,086)	(27,107)
Loss for the period		
Total comprehensive expense for the period attributable to:		
Owners of the Company	(7,296)	(10,372)
Non-controlling interests	1,049	(618)
	(6,247)	(10,990)
Total comprehensive expense for the period		
Loss per share		
Basic (HK cents per share)	9 (2.19)	(8.10)
Diluted (HK cents per share)	(2.19)	(8.10)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		(Unaudited) 30 June 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	58,315	61,455
Investment property	10	38,000	39,900
Right-of-use assets		12,748	15,051
Deferred tax assets		3,688	3,688
		<hr/> 112,751	<hr/> 120,094
<b>CURRENT ASSETS</b>			
Inventories		23,065	16,196
Trade and other receivables	11	20,762	15,415
Tax recoverable		6	855
Bank balances and cash		65,687	70,403
		<hr/> 109,520	<hr/> 102,869
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	28,303	21,541
Lease liabilities		317	415
Amount due to a director of subsidiaries	13	48,520	47,587
Bank borrowings		5,000	5,000
Tax liabilities		323	64
		<hr/> 82,463	<hr/> 74,607
<b>NET CURRENT ASSETS</b>		<hr/> 27,057	<hr/> 28,262
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 139,808	<hr/> 148,356
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		4	—
Lease liabilities		12,834	14,915
		<hr/> 12,838	<hr/> 14,915
<b>NET ASSETS</b>		<hr/> 126,970	<hr/> 133,441

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	(Unaudited) 30 June 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
<b>CAPITAL AND RESERVES</b>		
Share capital	32,692	32,692
Reserves	79,583	86,879
	<hr/>	<hr/>
Equity attributable to owners of the Company	112,275	119,571
Non-controlling interests	14,695	13,870
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>126,970</b>	<b>133,441</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	(Unaudited)							Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Property revaluation reserve	Translation reserve	Accumulated losses	Equity attributable to owners of the Company		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	32,692	118,895	10,337	16,701	(3,530)	(55,524)	119,571	13,870	133,441
Loss for the period	–	–	–	–	–	(7,151)	(7,151)	1,065	(6,086)
Other comprehensive expense for the period	–	–	–	–	(145)	–	(145)	(16)	(161)
Total comprehensive expense for the period	–	–	–	–	(145)	(7,151)	(7,296)	1,049	(6,247)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	(224)	(224)
At 30 June 2020	32,692	118,895	10,337	16,701	(3,675)	(62,675)	112,275	14,695	126,970
At 1 January 2019	32,692	118,895	10,337	–	(3,127)	(486)	158,311	16,169	174,480
Loss for the period	–	–	–	–	–	(26,485)	(26,485)	(622)	(27,107)
Other comprehensive income for the period	–	–	–	16,101	12	–	16,113	4	16,117
Total comprehensive expense for the period	–	–	–	16,101	12	(26,485)	(10,372)	(618)	(10,990)
At 30 June 2019	32,692	118,895	10,337	16,101	(3,115)	(26,971)	147,939	15,551	163,490

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	(Unaudited)	
	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(2,332)	(26,986)
NET CASH USED IN INVESTING ACTIVITIES	(1,246)	(903)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(941)	21,250
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,519)	(6,639)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	70,403	71,468
Effect of change in foreign exchange rates	(197)	16
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>65,687</b>	<b>64,845</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank overdraft	—	(2,437)
Bank balances and cash	65,687	67,282
	<b>65,687</b>	<b>64,845</b>



# 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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with 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

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

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

	(Unaudited) For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers recognised at a point in time under HKFRS 15:		
Novelties and decoration products	1,827	3,044
Toy products	69,517	61,511
	<hr/>	<hr/>
	71,344	64,555
	<hr/>	<hr/>

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**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 sales of toy products.

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

*For the six months ended 30 June 2020 (Unaudited)*

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>			
External sales and total revenue	1,827	69,517	71,344
<b>RESULT</b>			
Segment results	(2,522)	7,638	5,116
Loss from changes in fair value of an investment property			(1,900)
Impairment loss on property, plant and equipment			(1,056)
Unallocated corporate expenses, net			(6,067)
Finance costs			(1,442)
Loss before tax			(5,349)
Income tax expense			(737)
Loss for the period			(6,086)

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**4. SEGMENT REPORTING (CONTINUED)**

*At 30 June 2020 (Unaudited)*

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>			
Segment assets	27,289	95,276	122,565
Unallocated corporate assets			<u>99,706</u>
Consolidated total assets			<u>222,271</u>
<b>LIABILITIES</b>			
Segment liabilities	25,985	68,372	94,357
Unallocated corporate liabilities			<u>944</u>
Consolidated total liabilities			<u>95,301</u>

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**4. SEGMENT REPORTING (CONTINUED)**

*For the six months ended 30 June 2019 (Unaudited)*

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>			
External sales and total revenue	3,044	61,511	64,555
<b>RESULT</b>			
Segment results	(3,742)	(11,135)	(14,877)
Unallocated corporate expenses, net			(12,102)
Finance costs			(674)
Loss before tax			(27,653)
Income tax credit			546
Loss for the period			(27,107)

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**4. SEGMENT REPORTING (CONTINUED)**

*At 31 December 2019 (Audited)*

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>			
Segment assets	29,357	81,972	111,329
Unallocated corporate assets			<u>111,634</u>
Consolidated total assets			<u>222,963</u>
<b>LIABILITIES</b>			
Segment liabilities	25,311	62,597	87,908
Unallocated corporate liabilities			<u>1,614</u>
Consolidated total liabilities			<u>89,522</u>

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**4. SEGMENT REPORTING (CONTINUED)**

**Geographical Information**

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

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue by geographical market:		
Hong Kong	<b>1,860</b>	4,269
Europe	<b>2,079</b>	4,775
United States of America	<b>2,346</b>	277
Asia (other than Hong Kong)	<b>64,781</b>	55,167
Others	<b>278</b>	67
	<hr/> <b>71,344</b>	<hr/> 64,555

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

	<b>Carrying amount of segment assets</b>	
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>147,927</b>	155,060
The People's Republic of China (the "PRC")	<b>74,344</b>	67,903
	<hr/> <b>222,271</b>	<hr/> 222,963

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**5. OTHER INCOME, GAINS AND LOSSES**

	(Unaudited)	
	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income from financial assets held for cash management purposes	173	307
Rental income from investment property	408	204
Scrap sales <i>(Note)</i>	—	630
Gain on disposal of property, plant and equipment	35	84
Net foreign exchange losses	(340)	(791)
Gain on termination of a lease	28	—
Tooling income <i>(Note)</i>	347	1,137
Laboratory Testing Income <i>(Note)</i>	198	178
Government subsidies	726	—
Others <i>(Note)</i>	166	153
	1,741	1,902

*Note:* Those 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	
	2020	2019
	HK\$'000	HK\$'000
Depreciation		
— property, plant and equipment	3,574	3,903
— right-of-use assets	360	586
	3,934	4,489



**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**7. INCOME TAX EXPENSE (CREDIT)**

	(Unaudited)	
	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	568	—
PRC Enterprise Income Tax	56	—
	624	—
Underprovision in prior years:		
Hong Kong Profits Tax	101	—
PRC Enterprise Income tax	8	28
	109	28
Deferred tax		
Origination (reversal) of temporary differences	4	(574)
	737	(546)
Total income tax expense (credit) recognised in profit or loss	737	(546)

**8. DIVIDENDS**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: 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\$7,151,000 (2019: HK\$26,485,000) and the weighted average number of ordinary shares of 326,923,607 (2019: 326,923,607).

Diluted loss per share for the periods ended 30 June 2020 and 2019 was the same as basic loss per share as there were no dilutive potential ordinary shares in issue for both periods.

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the period, the Group acquired property, plant and equipment of approximately HK\$1,456,000 (2019: HK\$1,341,000).

During the period, the Group recognised impairment loss on leasehold land and building of approximately HK\$1,056,000 (2019: Nil). The estimate of recoverable amount of the leasehold land and building was based on its fair value less cost of disposal. The fair value of the leasehold land and building at 30 June 2020 was determined by the Directors with reference to recent transaction prices in the market for similar properties.

During the period, the Group also recognised loss from changes in fair value of investment property of approximately HK\$1,900,000 (2019: Nil). The fair value of the investment property at 30 June 2020 was determined by the Directors with reference to recent transaction prices in the market for similar properties.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$18,597,000 (31 December 2019: HK\$9,675,000). 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 the invoice date and net of allowance for expected credit loss at the end of the reporting period:

	(Unaudited)	(Audited)
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0-60 days	17,430	9,637
61-90 days	1,126	—
91-120 days	41	38
	<hr/>	<hr/>
	18,597	9,675
	<hr/>	<hr/>

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$14,303,000 (31 December 2019: HK\$9,498,000). The following is an aging analysis of the Group's trade payables, presented based on invoice date at the end of reporting period:

	(Unaudited) 30 June 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
0-60 days	12,062	7,577
61-90 days	1,588	1,390
91-120 days	135	13
Over 120 days	518	518
	14,303	9,498

## 13. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

The amount represented advance from Mr. Poon Siu Chung (a former director of certain subsidiaries of the Company who passed away on 28 October 2019) which is now due to Ms. Lau Kwai Ngor, the wife of Mr. Poon Siu Chung, to whom such advance has been assigned by operation of law. It was conducted on normal commercial terms, bearing interest at a rate of 4% per annum, unsecured, and repayable on demand.

## 14. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	—	762

**NOTES TO THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**15. 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	
	2020	2019
	HK\$'000	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung ( <i>Note</i> )	—	60
Interest expenses payable to:		
Ms. Lau Kwai Ngor ( <i>Note</i> )	<u>933</u>	<u>—</u>

*Note:* Mr. Poon Siu Chung, who passed away on 28 October 2019, was a former director of certain subsidiaries of the Company. Ms. Lau Kwai Ngor, the wife of Mr. Poon Siu Chung, who is a beneficiary of Mr. Poon Siu Chung's estate.

**(b) Compensation of key management personnel**

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

	(Unaudited)	
	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Short-term benefits	4,480	4,012
Post-employment benefits	<u>40</u>	<u>39</u>
	<u>4,520</u>	<u>4,051</u>

## SHARE OPTION SCHEME

A share option scheme (the “Scheme”) of the Company was adopted on 30 May 2012. The key terms of the Scheme had been summarised in the annual report of the Company for the year ended 31 December 2019.

At 30 June 2020, the number of shares available for issue under the Scheme were 32,692,360, representing approximately 10% of the shares of the Company in issue at that date.

There were no movements in the Company’s share options during the six months ended 30 June 2020. There were no outstanding share options of the Company as at 1 January 2020 and 30 June 2020.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS**

At 30 June 2020, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2020, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the issued shares of the Company as follows:

### Long position in shares of the Company

Shareholders	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	% of issued share capital of the Company (approximately)	
				Total	
Mr. Zhai Jun	Interest of controlled corporation	125,297,040	—	125,297,040 <sup>(1)</sup>	38.33
Star Fly Limited	Beneficial owner	125,297,040	—	125,297,040 <sup>(1)</sup>	38.33
Mr. Gao Xiaorui	Interest of controlled corporation	119,297,041	—	119,297,041 <sup>(2)</sup>	36.49
Fresh Choice Holdings Limited	Beneficial owner	119,297,041	—	119,297,041 <sup>(2)</sup>	36.49

#### Notes:

- (1) For the purpose of Part XV of the SFO, as at 30 June 2020, Mr. Zhai Jun was deemed to be interested in the 125,297,040 shares of the Company held by Star Fly Limited. Star Fly Limited is a limited company incorporated in the British Virgin Islands wholly owned by Mr. Zhai Jun.
- (2) For the purpose of Part XV of the SFO, as at 30 June 2020, Mr. Gao Xiaorui was deemed to be interested in 119,297,041 shares of the Company held by Fresh Choice Holdings Limited. Fresh Choice Holdings Limited is a limited company incorporated in the British Virgin Islands owned as to 90% by Mr. Gao Xiaorui and 10% by Mr. Wu Zhenlong.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

## BUSINESS AND FINANCIAL REVIEW

Affected by the unresolved Sino-American trade disputes, the political instability in Europe and the outbreak of Coronavirus Disease 2019 (the “COVID-19”) pandemic, the global economy remained sluggish and the Group’s operating environment remained challenging in the first half of 2020. During the six months ended 30 June 2020, the Group’s revenue rose by 11% year-on-year to approximately HK\$71,344,000 (2019: HK\$64,555,000) despite facing the tough operating environment. Revenue rose was driven by higher sales of toy products, which offset decline in sales of novelties and decorations products. The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$7,151,000 (2019: HK\$26,485,000). The basic and diluted loss per share were both at 2.19 HK cents (2019: both 8.10 HK cents).

For the six months ended 30 June 2020, the Group’s core business recorded a profit of HK\$5,116,000 (2019: loss of HK\$14,877,000). Detailed performance of each segment of the core business is discussed below.

### Toy products

The revenue of toy products segment increased by about 13% year-on-year to approximately HK\$69,517,000 (2019: HK\$61,511,000), and accounted for about 97% of total revenue of the Group. The increase in revenue of this segment was largely driven by the higher sales in Asia (other than Hong Kong) and the United States of America, which offset the decline in sales in Europe and Hong Kong. The segment recorded a profit of approximately HK\$7,638,000 for the six months ended 30 June 2020 while it incurred a loss of HK\$11,135,000 in the same period last year. The result of this segment has improved as the Group streamlined the production process and cost structure after the Group relocated all production plants together at Zhongshan, the PRC, in recent years. In this regard, the Group has made provision for a special incentive bonus of approximately HK\$2,000,000 as incentive for relocation of the relevant employees with a view to recognising their efforts in ensuring the smooth transition during the process of plant relocation.



### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Novelties and decorations products

The revenue of the novelties and decoration products segment decreased by about 40% year-on-year to approximately HK\$1,827,000 (2019: HK\$3,044,000), which was mainly attributable to the decline in sales in Europe. The loss of this segment slightly reduced to approximately HK\$2,522,000 (2019: HK\$3,742,000), as a result of strict cost management implemented by the Group.

#### Distribution costs and administrative expenses

Distribution costs decreased by about 8% year-on-year to approximately HK\$1,405,000 (2019: HK\$1,521,000) as a result of stringent cost control measures implemented by the Group. Administrative expenses mainly represented staff costs (including directors' emoluments), legal and professional fee, depreciation of property, plant and equipment and right-of-use assets and other administrative expenses. The amount decreased by about 25% year-on-year to approximately HK\$26,326,000 (2019: HK\$35,235,000), which was mainly attributable to the decrease in legal and professional costs incurred by the Group of approximately HK\$7,700,000 and the effective cost management implemented by the Group during the period.

#### Finance costs

Finance costs increased to approximately HK\$1,442,000 (2019: HK\$674,000), as a result of the increase in interest on amount due to a director of subsidiaries during the period.

#### Significant investments, acquisitions and disposals

There was no significant investment held as at 30 June 2020, nor other material acquisitions and disposals of subsidiaries, associates and/or joint ventures during the six months ended 30 June 2020.

#### Liquidity and financial resources

As at 30 June 2020, the Group had amount due to a director of subsidiaries of approximately HK\$48,520,000 (31 December 2019: HK\$47,587,000) and short term bank borrowings of approximately HK\$5,000,000 (31 December 2019: HK\$5,000,000). The Group's gearing ratio, calculated on the basis of the aggregate of the amount due to a director of subsidiaries and bank borrowings over the equity attributable to owners of the Company, was approximately 48% (31 December 2019: 44%).

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Liquidity and financial resources (Continued)

As at 30 June 2020, the Group had bank balances and cash of approximately HK\$65,687,000 (31 December 2019: HK\$70,403,000). With total current assets as at 30 June 2020 of approximately HK\$109,520,000 (31 December 2019: HK\$102,869,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

#### Pledge of Assets

As at 30 June 2020, the Group had pledged its leasehold land and building with carrying value of approximately HK\$32,000,000 (31 December 2019: HK\$33,703,000) and investment property of approximately HK\$38,000,000 (31 December 2019: HK\$39,900,000) to secure banking facilities granted to the Group.

#### Contingent Liabilities

There have been no changes in the Group's contingent liabilities since the year ended 31 December 2019.

#### Net asset value

The net asset value per share as at 30 June 2020 was approximately HK\$0.34 (31 December 2019: HK\$0.37), calculated on the basis of the equity attributable to owners of the Company of approximately HK\$112,275,000 (31 December 2019: HK\$119,571,000) over the actual number of shares in issue on that date of 326,923,607 (31 December 2019: 326,923,607).

#### Employees and remuneration policies

As at 30 June 2020, the Group employed approximately 720 (31 December 2019: 680) 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 sales and purchases are mainly denominated in Hong Kong Dollar and United States Dollar (the "US Dollar"). As all of its factories are located in the PRC, expenses incurred there are denominated in Renminbi.

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Foreign currency exposure (Continued)

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

As at 30 June 2020, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

#### Future plans for material investments

As referred to in the Company's announcement titled "Inside Information in Relation to Framework Sale and Purchase Agreement" dated 15 August 2019 and further discussed in the annual report of the Company for the year ended 31 December 2019, on 15 August 2019, the Company entered into a framework sale and purchase agreement with Sino-Science Netherlands Petroleum B.V., a company incorporated under the laws of Netherlands ("SSNP"), pursuant to which the Company has conditionally agreed to acquire more than 50% of the total participating interests or shares of Sozak Oil and Gas LLP ("Sozak"), a limited liability partnership established under the laws of Kazakhstan ("Proposed Acquisition"). Sozak is principally engaged in the exploration of oil and natural gas in South-Kazakhstan and Kyzylorda region and the petroleum assets are located in the Marsel Block in the Chu-Sarysu Basin of Kazakhstan which is currently under appraisal. The consideration for the Proposed Acquisition shall be paid by the Company through a combination of cash, the allotment and issue of new shares of the Company and/or other forms of securities issued by the Company at a price to be agreed upon by SSNP and the Company. The material terms of the Proposed Acquisition are yet to be agreed and are subject to the execution of the final definitive agreement.

Up to the date of this report, the Directors are still in the course of negotiating material terms with SSNP and making appropriate arrangements for the Proposed Acquisition, with the aim of materialising the Proposed Acquisition as soon as practicable.

As mentioned in the annual report of the Company for the year ended 31 December 2019, it is the intention of the Group to actively identify good merger and acquisition opportunities in order to acquire new business or assets that will bring additional value and new income streams to the Group. Leveraging on the extensive experience in the areas of oil and natural gas industry and corporate management, the Board believes that the Proposed Acquisition will help the Company navigate its business focus towards natural gas and clean energy to meet the growing natural gas demand in the PRC, and create long-term returns for the shareholders of the Company with enhanced values.

### BUSINESS AND FINANCIAL REVIEW (CONTINUED)

#### Prospect

The unresolved Sino-American trade disputes, the political instability in Europe and the outbreak of COVID-19 pandemic are expected to continue to cast uncertainty and challenges to the Group's operating environment in this year. 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.

Meanwhile, the Directors endeavour to materialise the Proposed Acquisition in order to bring additional value and new income streams to the Group, and create long-term returns for the shareholders of the Company with enhanced values.

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.

#### PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities whether on the Stock Exchange or otherwise.

#### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code and amended it from time to time, based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance as set out in Appendix 14 to the Listing Rules.

Throughout the six months ended 30 June 2020, the Company has complied with the Code Provisions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 Directors and they have confirmed that throughout the six months ended 30 June 2020, 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 Audit Committee comprises three independent non-executive Directors, Mr. Xie Xiaohong, Mr. Qin Feng and Mr. Lau Shu Yan, who is also the chairman of the Audit Committee. The Audit Committee has reviewed the Group's interim report for the six months ended 30 June 2020.

### DIRECTORS OF THE COMPANY

At the date of this report, the Board is composed of Mr. Li Shaohua and Mr. Poon Wai Yip, Albert as executive Directors, Ms. Zhu Yuqi as non-executive Director, and Mr. Xie Xiaohong, Mr. Lau Shu Yan and Mr. Qin Feng as independent non-executive Directors.

By order of the Board  
**Perfectech International Holdings Limited**  
**Zhu Yuqi**  
*Chairman*

Hong Kong, 28 August 2020