

Perfectech

Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 00765

2021 INTERIM REPORT



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Mr. Lau Shu Yan
Mr. Xie Xiaohong
Mr. Geng Jianhua

AUDIT COMMITTEE

Mr. Lau Shu Yan *(Committee Chairman)*
Mr. Xie Xiaohong
Mr. Geng Jianhua

REMUNERATION COMMITTEE

Mr. Geng Jianhua *(Committee Chairman)*
Mr. Xie Xiaohong
Mr. Lau Shu Yan

NOMINATION COMMITTEE

Mr. Lau Shu Yan *(Committee Chairman)*
Mr. Xie Xiaohong
Mr. Geng Jianhua

COMPANY SECRETARY

Ms. Ng Chi Man (appointed with effect from 30 August 2021)
Mr. Leung Tak Ho (resigned with effect from 30 August 2021)

AUTHORISED REPRESENTATIVES

Mr. Li Shaohua
Ms. Ng Chi Man (appointed with effect from 30 August 2021)
Mr. Leung Tak Ho (resigned with effect from 30 August 2021)

AUDITOR

HLM CPA Limited
Certified Public Accountants

LEGAL ADVISER

Cheng Tong & Rosa Solicitors (ceased practice with effect from 1 August 2021)
Ronald Tong & Co (appointed with effect from 1 August 2021)

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.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 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	(Unaudited)	
		For the six months ended	
		2021	2020
		HK\$'000	HK\$'000
Revenue	3 & 4	81,571	71,344
Cost of sales		(58,005)	(46,305)
Gross profit		23,566	25,039
Other income, gains and losses, net	5	458	1,741
Impairment loss on property, plant and equipment	10	—	(1,056)
Fair value loss on an investment property		—	(1,900)
Distribution costs		(1,101)	(1,405)
Administrative expenses		(30,582)	(26,326)
Finance costs		(534)	(1,442)
Loss before tax	6	(8,193)	(5,349)
Income tax expense	7	(1,238)	(737)
Loss for the period		(9,431)	(6,086)
Other comprehensive income (expense) for the period, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,100	(161)
Total comprehensive expense for the period		(8,331)	(6,247)

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

For the six months ended 30 June 2021

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
<i>Note</i>	HK\$'000	HK\$'000
Loss for the period attributable to:		
Owners of the Company	(9,975)	(7,151)
Non-controlling interests	544	1,065
	(9,431)	(6,086)
Loss for the period	(9,431)	(6,086)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(9,008)	(7,296)
Non-controlling interests	677	1,049
	(8,331)	(6,247)
Total comprehensive expense for the period	(8,331)	(6,247)
Loss per share	9	
Basic (HK cents per share)	(3.05)	(2.19)
Diluted (HK cents per share)	(3.05)	(2.19)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	22,609	23,800
Right-of-use assets		14,308	12,450
Deferred tax assets		2,130	2,130
		39,047	38,380
CURRENT ASSETS			
Inventories		19,767	18,330
Trade and other receivables	11	21,800	24,074
Financial assets at fair value through profit or loss ("FVTPL")		8,405	13,391
Bank balances and cash		72,485	59,467
		122,457	115,262
Assets of a disposal group classified as held for sale	12	—	67,175
		122,457	182,437
CURRENT LIABILITIES			
Trade and other payables	13	29,352	53,423
Lease liabilities		1,134	297
Amount due to a director of subsidiaries	14	—	27,931
Tax liabilities		4,529	3,391
		35,015	85,042
Liabilities directly associated with a disposal group classified as held for sale	12	—	204
		35,015	85,246
NET CURRENT ASSETS		87,442	97,191
TOTAL ASSETS LESS CURRENT LIABILITIES		126,489	135,571
NON-CURRENT LIABILITIES			
Lease liabilities		13,844	12,685
NET ASSETS		112,645	122,886

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
	<i>Note</i>	
CAPITAL AND RESERVES		
Share capital	32,692	32,692
Reserves	64,723	57,030
Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale	12	16,701
Equity attributable to owners of the Company	97,415	106,423
Non-controlling interests	15,230	16,463
TOTAL EQUITY	112,645	122,886

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (Unaudited)	32,692	118,895	10,337	(877)	–	16,701	(71,325)	106,423	16,463	122,886
Loss for the period	–	–	–	–	–	–	(9,975)	(9,975)	544	(9,431)
Other comprehensive income for the period	–	–	–	967	–	–	–	967	133	1,100
Total comprehensive (expense) income for the period	–	–	–	967	–	–	(9,975)	(9,008)	677	(8,331)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,910)	(1,910)
Transfer of reserve upon disposal of Disposal Group classified as held for sale	–	–	–	–	–	(16,701)	16,701	–	–	–
At 30 June 2021 (Unaudited)	32,692	118,895	10,337	90	–	–	(64,599)	97,415	15,230	112,645
At 1 January 2020 (Unaudited)	32,692	118,895	10,337	(3,530)	16,701	–	(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) income for the period	–	–	–	(145)	–	–	(7,151)	(7,296)	1,049	(6,247)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(224)	(224)
At 30 June 2020 (Unaudited)	32,692	118,895	10,337	(3,675)	16,701	–	(62,675)	112,275	14,695	126,970

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(1,633)	(2,332)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	44,416	(1,246)
NET CASH USED IN FINANCING ACTIVITIES	(30,865)	(941)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,918	(4,519)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	59,467	70,403
Effect of change in foreign exchange rates	1,100	(197)
CASH AND CASH EQUIVALENTS AT 30 JUNE	72,485	65,687
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	72,485	65,687

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 certain financial instruments which are 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 2021 are the same as those adopted in the annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – phase 2

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 external customers, less returns and trade discounts during the period.

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers recognised at a point in time under HKFRS 15:		
Novelties and decoration products	1,044	1,827
Toy products	80,527	69,517
	81,571	71,344

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 2021 (Unaudited)

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales and total revenue	1,044	80,527	81,571
RESULT			
Segment results	(3,584)	1,104	(2,480)
Gain on disposal of financial assets at FVTPL			346
Fair value loss on financial assets at FVTPL			(133)
Unallocated corporate expenses, net			(5,392)
Finance costs			(534)
Loss before tax			(8,193)
Income tax expense			(1,238)
Loss for the period			(9,431)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

At 30 June 2021 (Unaudited)

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	28,762	111,183	139,945
Unallocated corporate assets			21,559
			<hr/>
Consolidated total assets			161,504
			<hr/>
LIABILITIES			
Segment liabilities	15,998	32,775	48,773
Unallocated corporate liabilities			86
			<hr/>
Consolidated total liabilities			48,859
			<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

For the six months ended 30 June 2020 (Unaudited)

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales and total revenue	1,827	69,517	71,344
RESULT			
Segment results	(2,522)	7,638	5,116
Impairment loss on property, plant and equipment			(1,056)
Fair value loss on an investment property			(1,900)
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 31 December 2020 (Audited)

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	19,900	105,990	125,890
Unallocated corporate assets			94,927
			<hr/>
Consolidated total assets			220,817
			<hr/>
LIABILITIES			
Segment liabilities	15,303	54,669	69,972
Unallocated corporate liabilities			27,959
			<hr/>
Consolidated total liabilities			97,931
			<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONTINUED)

Geographical Information

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

	(Unaudited) For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue by geographical market:		
Hong Kong	3,971	1,860
Europe	3,580	2,079
United States of America	10,698	2,346
Asia (other than Hong Kong)	62,908	64,781
Others	414	278
	81,571	71,344

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

	Carrying amount of segment assets	
	(Unaudited)	(Audited)
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	100,480	147,487
The People's Republic of China (the "PRC")	61,024	73,330
	161,504	220,817

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME, GAINS AND LOSSES, NET

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income from financial assets held for cash management purposes	110	173
Rental income	13	408
Scrap and sample sales <i>(Note)</i>	1,003	—
Tooling income <i>(Note)</i>	378	347
Laboratory testing income <i>(Note)</i>	89	198
Subsidies income from the PRC government	85	726
Gain on disposal of property, plant and equipment	23	35
Gain on disposal of Disposal Group classified as held for sale <i>(Note 15)</i>	249	—
Gain on disposal of financial assets at FVTPL	346	—
Fair value loss on financial assets at FVTPL	(133)	—
Gain on termination of a lease	—	28
Net foreign exchange losses	(1,808)	(340)
Others <i>(Note)</i>	103	166
	458	1,741

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation		
— property, plant and equipment	2,506	3,574
— right-of-use assets	628	360
	<hr/>	<hr/>
	3,134	3,934
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	1,329	568
PRC Enterprise Income Tax	14	56
	<hr/>	<hr/>
	1,343	624
	<hr/>	<hr/>
(Over) under-provision in prior years:		
Hong Kong Profits Tax	(115)	101
PRC Enterprise Income tax	10	8
	<hr/>	<hr/>
	(105)	109
	<hr/>	<hr/>
Deferred tax:		
Current year	—	4
	<hr/>	<hr/>
Total income tax expense recognised in profit or loss	1,238	737
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: 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\$9,975,000 (2020: HK\$7,151,000) and the weighted average number of ordinary shares of 326,923,607 (2020: 326,923,607).

Diluted loss per share for the periods ended 30 June 2021 and 2020 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\$1,297,000 (2020: HK\$1,456,000).

During the period ended 30 June 2020, the Group recognised impairment loss on leasehold land and building of approximately HK\$1,056,000. 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.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for expected credit loss) of HK\$18,795,000 (31 December 2020: HK\$20,044,000). 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
	2021	2020
	HK\$'000	HK\$'000
0-60 days	17,803	18,134
61-90 days	855	184
91-120 days	—	1,262
Over 120 days	137	464
	<hr/>	<hr/>
	18,795	20,044
	<hr/>	<hr/>

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 24 September 2020, Perfectech International (B.V.I.) Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Grand Oasis Ventures Limited (the "Purchaser") relating to disposal of the entire issued share capital of Perfect Skill Limited ("Perfect Skill"), an indirectly wholly-owned subsidiary of the Company, and all obligations, liabilities and debts owing or incurred by Perfect Skill to the Vendor (the "Disposal Group") by the Vendor to the Purchaser (the "Disposal") at a consideration of HK\$67,100,000. The assets and liabilities attributable to the Disposal Group were classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position at 31 December 2020. The Disposal Group were included in the Group's unallocated corporate assets and liabilities for segment reporting purposes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities of the Disposal Group classified as held for sale were as follows:

	(Audited) 31 December 2020 HK\$'000
Property, plant and equipment	30,471
Investment property	36,329
Other receivables	41
Bank balances and cash	334
	<hr/>
Assets of a disposal group classified as held for sale	67,175
	<hr/>
Other payables	(204)
	<hr/>
Liabilities directly associated with a disposal group classified as held for sale	(204)
	<hr/>

Cumulative property revaluation reserve amount of HK\$16,701,000 relating to the Disposal Group classified as held for sale was separately presented in equity at 31 December 2020.

The Disposal was completed on 10 February 2021 and gain of HK\$249,000 was recognised in other income, gains and losses, net in the condensed consolidated financial statements.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$17,862,000 (31 December 2020: HK\$12,993,000). 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 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
0-60 days	13,459	10,292
61-90 days	2,576	1,387
91-120 days	856	154
Over 120 days	971	1,160
	17,862	12,993

14. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

The amount represented amounts due to Ms. Lau Kwai Ngor, the inheritor of a former director of subsidiaries of the Company who passed away on 28 October 2019. It was conducted on normal commercial terms, bearing interest at a rate of 4% per annum, unsecured, and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. DISPOSAL OF A DISPOSAL GROUP

As referred to note 12, the Group disposed of the Disposal Group, including Perfect Skill and its subsidiary. The related gain at the date of disposal was as follows:

	(Unaudited) For the six months ended 30 June 2021 HK\$'000
Gain on disposal of the Disposal Group:	
Consideration received	67,100
Net assets disposed of (<i>Note a</i>)	(66,851)
	<hr/>
Gain on disposal of the Disposal Group	249
	<hr/>

Note a: The net assets included a rental deposit received of HK\$120,000 in respect of office premise owned by the Disposal Group.

16. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	379	—
Authorised but not contracted for	2,787	—
	<hr/>	<hr/>
	3,166	—
	<hr/>	<hr/>

17. 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	
	2021	2020
	HK\$'000	HK\$'000
Interest expenses payable to:		
Ms. Lau Kwai Ngor (<i>Note</i>)	146	933

Note: Ms. Lau Kwai Ngor is a director of certain subsidiaries of the Company.

- (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	
	2021	2020
	HK\$'000	HK\$'000
Short-term benefits	4,196	4,480
Post-employment benefits	40	40
	4,236	4,520

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of a interim dividend for the six months ended 30 June 2021 (2020: Nil).

BUSINESS AND FINANCIAL REVIEW

Affected by the outbreak of Coronavirus Disease 2019 (the “COVID-19”) pandemic, the Group’s operating environment remained challenging in the first half of 2021. During the six months ended 30 June 2021, the Group’s revenue rose by 14% year-on-year to approximately HK\$81,571,000 (2020: HK\$71,344,000) despite facing the tough operating environment. The increase in revenue was driven by higher sales of toy products, which offset decline in sales of novelties and decoration products. The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$9,975,000 (2020: HK\$7,151,000). The basic and diluted loss per share were both at 3.05 HK cents (2020: both 2.19 HK cents).

For the six months ended 30 June 2021, the Group’s core business recorded a loss of HK\$2,480,000 (2020: profit of HK\$5,116,000). The performance of each segment of the core business is discussed below.

Toy products

The revenue of toy products segment increased by about 16% year-on-year to approximately HK\$80,527,000 (2020: HK\$69,517,000), and accounted for about 99% of total revenue of the Group. The increase in revenue of this segment was primarily driven by the higher sales in the United States of America, Hong Kong and Europe, which offset the decline in sales in Asia (other than Hong Kong). The profit of this segment reduced to approximately HK\$1,104,000 (2020: HK\$7,638,000) as the gross profit and gross profit margin decreased, resulting from the increase in the costs of raw materials, costs of subcontracting and social insurance for the production staff in the PRC. The increase in foreign exchange loss as a result of the appreciation of Renminbi also contributed to the decrease in profit.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Novelties and decoration products

The revenue of the novelties and decoration products segment decreased by about 43% year-on-year to approximately HK\$1,044,000 (2020: HK\$1,827,000) and the loss of this segment was approximately HK\$3,584,000 (2020: HK\$2,522,000). It was mainly attributable to the decline in demand of novelties and decoration products in the United States of America and Europe under COVID-19 pandemic.

Distribution costs and administrative expenses

Distribution costs decreased by about 22% year-on-year to approximately HK\$1,101,000 (2020: HK\$1,405,000) as a result of stringent cost control measures implemented by the Group.

Administrative expenses mainly represented staff costs (including directors' emoluments), social insurance for the administrative staff in the PRC, depreciation of property, plant and equipment and right-of-use assets, legal and professional fee and other administrative expenses. The amount increased by about 16% year-on-year to approximately HK\$30,582,000 (2020: HK\$26,326,000), which was mainly attributable to the increase in staff costs and social insurance for the administrative staff in the PRC.

Finance costs

Finance costs decreased by about 63% year-on-year to approximately HK\$534,000 (2020: HK\$1,442,000), as a result of the decrease in interest on amount due to a director of subsidiaries and bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources

As at 30 June 2021, the Group had amount due to a director of subsidiaries of HK\$Nil (31 December 2020: HK\$27,931,000). The Group's gearing ratio, calculated on the basis of the amount due to a director of subsidiaries over the equity attributable to owners of the Company, was 0% (31 December 2020: 26%).

As at 30 June 2021, the Group had bank balances and cash of approximately HK\$72,485,000 (31 December 2020: HK\$59,467,000). With net current assets as at 30 June 2021 of approximately HK\$87,442,000 (31 December 2020: HK\$97,191,000), the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value per share as at 30 June 2021 was approximately HK\$0.30 (31 December 2020: HK\$0.33), calculated on the basis of the equity attributable to owners of the Company of approximately HK\$97,415,000 (31 December 2020: HK\$106,423,000) over the actual number of shares in issue on that date of 326,923,607 (31 December 2020: 326,923,607).

Pledge of Assets

The Group did not have any pledge of asset as at 30 June 2021 and 31 December 2020.

Contingent Liabilities

There have been no changes in the Group's contingent liabilities since the year ended 31 December 2020.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Significant investments

As at 30 June 2021, the Group held financial assets at fair value through profit or loss amounted to approximately HK\$8,405,000 (31 December 2020: HK\$13,391,000), including equity securities listed in Hong Kong of HK\$Nil (31 December 2020: HK\$158,000), debt securities listed outside Hong Kong of approximately HK\$2,976,000 (31 December 2020: HK\$3,094,000), unlisted managed funds of approximately HK\$3,929,000 (31 December 2020: HK\$10,139,000) and unlisted securities of approximately HK\$1,500,000 (31 December 2020: HK\$Nil). Gain on disposal of financial assets at fair value through profit or loss amounted to approximately HK\$346,000 (2020: HK\$Nil) and fair value loss on financial assets at fair value through profit or loss amounted to approximately HK\$133,000 (2020: HK\$Nil) during the period.

Disposals of subsidiaries

On 24 September 2020, Perfectech International (B.V.I.) Limited (the “Vendor”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Grand Oasis Ventures Limited relating to the disposal of the entire issued share capital of Perfect Skill Limited (“Perfect Skill”), an indirectly wholly-owned subsidiary of the Company, and all obligations, liabilities and debts owing or incurred by Perfect Skill to the Vendor (the “Disposal Group”) at the consideration of approximately HK\$67,100,000. The principal assets in the Disposal Group were the Group’s leasehold land and buildings of approximately HK\$30,471,000 and investment property of approximately HK\$36,329,000 at 31 December 2020. The assets and liabilities attributable to the Disposal Group were classified as a disposal group held for sale and presented separately in the consolidated statement of financial position at 31 December 2020. The transaction was completed on 10 February 2021.

Employees and remuneration policies

As at 30 June 2021, the Group employed approximately 710 (31 December 2020: 700) full time employees. The Group remunerates its employees primarily based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

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. 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 2021, 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 2020, 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 JSC (formerly known as Sozak Oil and Gas LLP) ("Sozak"), 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 of the Company 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS (CONTINUED)

As referred to in the Company's announcement dated 18 March 2021 concerning the BOINC Strategic Cooperation Agreement entered into between the Company, California Super Computing Network Technology, Inc. and Affluence Energy Holding SARL and the Chainup Strategic Cooperation Agreement entered into between the Company, Chainup Pte. Ltd. and Sozak; and Company's announcement dated 31 March 2021 concerning the DCOIN Strategic Cooperation Agreement entered into between the Company and Davox Technology AG (the BOINC Strategic Cooperation Agreement, together with the Chainup Strategic Cooperation Agreement and DCOIN Strategic Cooperation Agreement, collectively referred to as the "Strategic Cooperation Agreements"), the Company entered into the Strategic Cooperation Agreements with relevant parties with the aim of stepping into the business in the field of blockchain and cryptocurrency.

As at the date of this report, the Company and the parties to the Strategic Cooperation Agreements have not yet conducted any transactions. Any possible cooperation contemplated under the Strategic Cooperation Agreements can be carried out only after the Company enters into a final agreement with the relevant parties involved. Since the cooperation may not necessarily proceed, shareholders and prospective investors of the Company are advised to exercise caution when trading in the Company's shares.

The Company will make further announcements regarding the project development under the Strategic Cooperation Agreements in compliance with the Listing Rules where appropriate.

PROSPECT

The Directors believes that the entering into of the Strategic Cooperation Agreements, subject to the execution of the final agreement with the parties involved, will be conducive to facilitating the Group to commence the business in the field of blockchain and cryptocurrency. The parties involved will jointly boost the development of the blockchain technology and the industry with their respective capital, platform and resources advantages.

While pushing forward with the business in the field of blockchain and cryptocurrencies, the Company will continue to look for more quality mergers and acquisitions and integration opportunities in the field of oil and gas exploration and production, and build itself into a resource integration company with energy as its core advantage.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT (CONTINUED)

The Directors endeavour to materialise the Proposed Acquisition and the Strategic Cooperation Agreements 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.

Meanwhile, 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.

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.

OTHER INFORMATION

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change and updated information regarding the Directors since the Company's last published annual report and up to the date of this interim report are set out below:

Change of Director's Remuneration Package

The monthly base salary and allowance of Mr. Poon Wai Yip, Albert ("Mr. Poon"), an executive director of the Company, has been adjusted from HK\$300,000 to HK\$200,000, together with a performance bonus based on 1.25% on consolidated net profits of the Group and a discretionary bonus with effect from 1 March 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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 2020.

At 30 June 2021, 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 2021. There were no outstanding share options of the Company as at 1 January 2021 and 30 June 2021.

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

As at 30 June 2021, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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	Total	% of issued share capital of the Company (approximately)
Mr. Zhai Jun	Interest of controlled corporation	125,297,040	—	125,297,040 ⁽¹⁾	38.33
Star Fly Limited	Beneficial owner	125,297,040	—	125,297,040 ⁽¹⁾	38.33
Mr. Gao Xiaorui	Interest of controlled corporation	119,297,041	—	119,297,041 ⁽²⁾	36.49
Fresh Choice Holdings Limited	Beneficial owner	119,297,041	—	119,297,041 ⁽²⁾	36.49
Hou Han Ping*	Beneficial owner	18,757,200	—	18,757,200	5.74
Yan Guo Liang*	Beneficial owner	18,528,000	—	18,528,000	5.67

Notes:

- (1) For the purpose of Part XV of the SFO, as at 30 June 2021, 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 2021, 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 Ms. Yu Hsuan-Jung.

* The English transliteration is given for reference only.

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

During the six months ended 30 June 2021, 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 2021, the Company has complied with the Code Provisions save for the following deviation:

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

After the resignation of Ms. Zhu Yuqi as the non-executive director, the chairman of the Board (the "Chairman") and the chairman of the nomination committee of the Company (the "Nomination Committee") 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 a suitable candidates 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.

OTHER INFORMATION

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 2021, 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. Geng Jianhua 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 2021.

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, Mr. Xie Xiaohong, Mr. Lau Shu Yan and Mr. Geng Jianhua as independent non-executive Directors.

By order of the Board
Perfectech International Holdings Limited
Li Shaohua
Director

Hong Kong, 30 August 2021