Hong Kong Institute of Certified Public Accountants
QP Case Analysis Competition 2017

Case background in brief

Tim Yeung and his wife May began their business about 25 years ago in Hong Kong, selling toys on a market stall. Through hard work and selling ability, they were able to develop and expand their business, and after a few years they opened their first toy shop. Their success in business continued. They incorporated the business 15 years ago as Telly Toys Limited (TT Limited).

Over time, they increased the number of retail stores and they now have 20 large stores in Hong Kong and mainland China. Three years ago, following a series of successful years financially, the company acquired public company status and a listing on the Hong Kong Stock Exchange (HKEx). As a result of the initial public offering by the company, Tim and May now together own just 40% of the company's shares.

Tim and May both continue to work in the business. Tim is the Chairman and Chief Executive Officer. May, who was already a qualified accountant when she started in business with Tim, is the Chief Finance Officer, with responsibility for general office administration as well as finance. They have been joined on the board of directors by Tina Chan, who is responsible for retail operations in the company's stores, and Simon Lam, who is the director responsible for procurement of toy products for retail. The company also has four non-executive directors, although Tim and May both question the value of the contribution of these directors to the company.

Until a few years ago, there had been a strong and growing market for toys in Hong Kong. Much of the manufacturing takes place in mainland China, Thailand, Indonesia and Malaysia, but major global companies have a large share of the manufacturing market. These global companies pay licence fees to produce toys based on popular children's TV and film characters, commission their manufacture from businesses in Asia and advertise and promote their products extensively. They sell their products mainly through retail companies and wholesalers.

Consumer demand for toys, in spite of a recent setback in sales globally, is expected to remain strong in the long term, due to demographic changes and an increasing proportion of young people in several large countries. However, consumer tastes change quickly and there is a trend towards much shorter life cycles for products, and much more digital technology in toys. One toy retailer has commented that: 'Children are getting older younger.' To satisfy consumer demand, manufacturers need to spend extensively on research and development, and to innovate continually.

Manufacturers compete with each other largely on the basis of product quality, play value and price. Product safety is a major issue, for both manufacturers and retailers.

(Full details of the case question will be available on the Institute's website from Friday, 21 April 2017 at www.hkicpa.org.hk/qpcac2017hk)