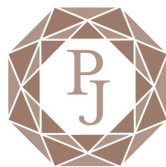


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PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3326)

CHANGE OF USE OF PROCEEDS

Reference is made to the prospectus of Perfect Group International Holdings Limited dated 22 December 2015 (the “**Prospectus**”) in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus. The net proceeds from the Listing received by the Company, after deducting underwriting commissions and related expenses in connection with the Listing, amounted to approximately HK\$76,533,000. Pursuant to the section headed “Future Plans and Use of Proceeds” in the Prospectus and the 2016 interim report of the Company, the net proceeds from the Listing would be used for the following purposes:

- (a) approximately HK\$28,700,000 (representing approximately 37.5% of the net proceeds) for expanding the Middle East and European high-end markets by hiring sales team with relevant experience and participating in renowned and high-end focused jewellery exhibitions in Europe;
- (b) approximately HK\$25,179,000 (representing approximately 32.9% of the net proceeds) for upgrading the existing production facilities by purchasing the updated 3D printing machines, replacing equipment and machineries used for stones setting, filing and electroplating; installing the RFID inventory system at Perfect Factory; and hiring and training additional labour with relevant skills and experience;
- (c) approximately HK\$16,837,000 (representing approximately 22.0% of the net proceeds) for brand development, which includes investment in brand image enhancement by employing professional marketing teams, renovating the VIP show rooms at the Hong Kong Office and Dubai Office to better serve the high-end customers and initiating a different product line which targets to produce high quality fine jewellery with relatively simplistic designs and lower wholesale price so as to further stretch the customer base;

- (d) approximately HK\$3,597,000 (representing approximately 4.7% of the net proceeds) for enhancing the CRM system by introducing the RFID technology in various jewellery exhibitions which enable the Group to collect computerised data of the visitors' purchasing behaviour; and
- (e) the remaining balance of approximately HK\$2,220,000 (representing approximately 2.9% of the net proceeds) for additional working capital and other general corporate purposes.

As at the date of this announcement, the Company had utilised approximately HK\$12.10 million of net proceeds from the Listing. On 28 November 2016, the Board resolved to change the proposed use of the net proceeds from the Listing, and details of the original allocation of the net proceeds, the revised allocation of the net proceeds, and the utilisation of the net proceeds as at the date of this announcement are set out below:

Uses	Original allocation <i>HK\$'000</i>	Revised allocation <i>HK\$'000</i>	Utilisation as at the date of this announcement <i>HK\$'000</i>	Remaining balance after revised allocation <i>HK\$'000</i>
Expanding the Middle East and European high-end markets	28,700	7,700	6,008	1,692
Upgrading the existing production facilities and hiring and training additional labour	25,179	1,839	1,839	0
Brand development	16,837	16,837	1,539	15,298
Enhancing the CRM system	3,597	3,597	494	3,103
Additional working capital and other general corporate purposes	2,220	2,220	2,220	0
Establishing the headquarter in the PRC and developing the PRC market	—	44,340	—	44,340
Total:	<u>76,533</u>	<u>76,533</u>	<u>12,100</u>	<u>64,433</u>

Save for the abovementioned changes, there is no other change of the use of the net proceeds from the Listing.

REASONS FOR THE CHANGE OF USE OF PROCEEDS

The Board constantly evaluates the trends of fine jewellery industry and the global economic condition to determine the most efficient and effective method to deploy the Group's resources. Considering the growing economic uncertainty in Europe, the Board is of the view that the growth of the fine jewellery industry may not be as encouraging as expected. On the other hand, it is expected that there will be a continued demand for luxury goods including high-end fine jewellery in the PRC with its steady GDP growth rate and growth in purchasing power. Further, as mentioned in the announcement of the Company dated 29 September 2016, the Company is in the process of acquiring the land use right of a parcel of land located at Lunjiao Shilong Industrial Zone, Shunde District, Foshan, Guangdong Province, the PRC (中國廣東省佛山市順德區倫教世龍工業區 (the “**Land**”) for the relocation of the Perfect Factory. Lunjiao Town is renowned for its jewellery industry with the status of both “featured industry base of Chinese jewellery jade industry” (中國珠寶玉石首飾特色產業基地) and “professional town of jewellery technology innovation of Guangdong Province” (廣東省珠寶首飾技術創新專業鎮).

In view of the aforesaid, the Board considers that it is commercially justifiable to establish the headquarter in the PRC on the Land. It is intended that the Group's business in the PRC will consist of manufacture, wholesale and retail of fine jewellery as well as potentially establishing a jewellery e-commerce platform, leveraging the presence of a large number of local small and medium enterprises on the jewellery industry chain in Lunjiao Town including designers, manufacturers and suppliers.

For the above reasons, the Board has resolved to re-allocate approximately HK\$44.34 million out of the unutilised net proceeds originally intended for expanding the Middle East and European high-end markets and upgrading the existing production facilities and hiring and training additional labour to establishing the headquarter in the PRC and developing the PRC market. The Board is of the view that such re-allocation of unutilised net proceeds is in line with the Group's business strategy on diversification of customer base in reducing geographical and seasonality risks.

The Board is of the view that there is no material change of the nature of business of the Group as set out in the Prospectus and that the above change of the use of the net proceeds from the Listing is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

By order of the Board
Perfect Group International Holdings Limited
Kan Kin Kwong
Chairman

Hong Kong, 28 November 2016

As at the date of this announcement, the executive Directors are Mr. Kan Kin Kwong, Ms. Shek Mei Chun and Mr. Chung Chi Keung; the non-executive Director is Mr. Chu Kin Wang Peleus; and the independent non-executive Directors are Mr. Fan Chor Ho, Mr. Li Cheuk Wai and Mr. Wong Wai Keung Frederick.