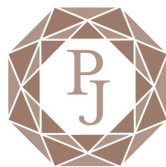


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PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3326)

MAJOR TRANSACTION – FORMATION OF JOINT VENTURE AND ACQUISITION OF LAND USE RIGHT OF LAND

FORMATION OF THE JOINT VENTURE

Reference is made to the announcement of the Company dated 29 September 2016 regarding the memorandum of understanding in relation to the proposed acquisition of land use right and the announcement of the Company dated 28 November 2016 regarding the change of use of proceeds.

The Board is pleased to announce that PGC I entered into the Investment Project Corporation Agreement with Jiangmen Yingtuo dated 13 January 2017 in relation to the formation of the Joint Venture.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jiangmen Yingtuo and the ultimate beneficial owner of Jiangmen Yingtuo are third parties independent of the Company and connected persons of the Company.

The key features of the Investment Project Corporation Agreement and the Joint Venture include the following:

Principal activities

The Joint Venture shall acquire (through online listing-for-sale (網上掛牌出讓)) and hold the land use right of the Land to develop factory plants and ancillary facilities for the Group to relocate the Perfect Factory, establish the headquarter in the PRC and develop the PRC market.

Capital commitment

The total capital commitment of the Joint Venture is US\$30 million (equivalent to approximately HK\$233 million), of which US\$21 million (equivalent to approximately HK\$163 million) shall be contributed by PGCI and the remaining US\$9 million (equivalent to approximately HK\$70 million) shall be contributed by Jiangmen Yingtuo. The total capital commitment is determined with reference to the maximum amount which the Joint Venture will have to bid at the tender for the land use right of the Land and the expected expenditures in relation to undertaking the Joint Venture's principal activities as described above. PGCI and Jiangmen Yingtuo have agreed to increase the total capital commitment as and when necessary. It is currently expected that each of PGCI and Jiangmen Yingtuo will finance the capital commitment of the Joint Venture by their respective internal resources.

It is expected that the total capital commitment will be made in two stages as below:

- (a) up to RMB110 million (please see below paragraph titled "Maximum amount of the land use right of the Land" for details) will be contributed to pay the purchase price of the land use right of the Land within 180 days upon signing of the transfer contract for the Land; and
- (b) the balance will be contributed within two years upon signing of the transfer contract for the Land.

The Joint Venture will be owned as to 70% by PGCI and 30% by Jiangmen Yingtuo. PGCI and Jiangmen Yingtuo shall be entitled to profits of the Joint Venture in the ratio of 7:3.

Representation in the Joint Venture

PGCI shall have the right to nominate the chairman, a director and the legal representative of the Joint Venture. Jiangmen Yingtuo shall have the right to nominate another director of the Joint Venture.

Termination

The Investment Project Corporation Agreement shall terminate if any one of the following events occurs:

- (a) the Investment Project Corporation Agreement and the transactions contemplated thereunder are not approved by Shareholders in accordance with the Listing Rules;
- (b) the consideration of acquisition of the land use right of the Land exceeds RMB110 million; or
- (c) acquisition of the land use right of the Land does not take place.

ACQUISITION OF LAND USE RIGHT OF THE LAND

It is intended that the Joint Venture shall acquire the land use right of the Land through online listing-for-sale (網上掛牌出讓), which is held by Shunde Public Resources Trading Centre in accordance with national laws and regulations as open tender for sale of land use right of the Land from 5 February 2017 to 15 February 2017 (3 p.m.).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shunde Public Resources Trading Centre is a third party independent of the Company and connected persons of the Company.

Information on the Land

The Land comprises an area of 100,370.99 square metres and located at east of Foshan 1st Ring Road South Extension and south of Lunjiao Dachong River, 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佛山一環南延線以東、倫教大涌以南地塊). The Land is currently vacant.

The Land is purported to be used for industrial purpose. Pursuant to the Construction Land Planning Conditions of Shunde District, Foshan* (佛山市順德區建設用地規劃條件), the Land shall have a plot ratio of not more than 3.0, and the total floor area of the Land shall be not more than 301,112.97 square metres. The building density of the Land shall be not less than 35% and not more than 45%. The term of the land use right of the Land shall be 50 years.

Maximum amount of the land use right of the Land

As mentioned in the announcement of the Company dated 29 September 2016, the Company paid a refundable deposit in the amount of RMB25 million (equivalent to approximately HK\$28 million) for the purpose of acquiring the land use right of the Land, which will be refunded to the Company upon completion of the acquisition of the land use right of the Land. The initial price of the tender is approximately RMB105 million (equivalent to approximately HK\$119 million). The maximum amount which the Joint Venture will have to bid at the tender for the land use right of the Land is RMB110 million (equivalent to approximately HK\$124 million). The Directors consider that the aforesaid maximum amount is fair and reasonable having taken into account the location and potential value of the Land and the preliminary valuation of the Land of RMB115 million as at 30 November 2016, as assessed by an independent property valuer appointed by the Company. The valuation report of the Land will be included in the circular to be sent to the Shareholders in relation to the Transaction.

Shareholders should note that the final bid prices for the land use right of the Land to be submitted by the Joint Venture will depend on, among other things, the Joint Venture's view on the property market and its prospects on the date of the tender as well as the bidding prices submitted by competitors at the tender.

It is currently expected that the Joint Venture will finance the payment of the consideration for acquisition of the land use right of the Land by its internal resources.

If the Joint Venture wins the tender, the Joint Venture will enter into a transfer contract with Shunde Public Resources Trading Centre. All consideration for acquisition of the land use right of the Land shall be paid within 180 days upon signing of the transfer contract while the Land will be delivered within 30 days upon signing of the transfer contract.

REASONS AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). As mentioned in the announcement of the Company dated 29 September 2016, the Group's current production operations are exclusively conducted at the Perfect Factory. The lease agreement of the Perfect Factory is for a term of three years and will expire in May 2018. To facilitate the future development of the Group, it is the intention of the Board to relocate the Perfect Factory to a more perpetual location within the Guangdong Province, the PRC, and the formation of the Joint Venture and the acquisition of the land use right of the Land would provide an opportunity for the Group for the relocation of the Perfect Factory.

The Board also 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. As mentioned in the announcement of the Company dated 28 November 2016, 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, subsequent to the change of use of proceeds of the listing of shares of the Company on the Stock Exchange and the acquisition of the land use right of the Land.

It is expected that there will be a continued demand for luxury goods including high-end fine jewellery in the PRC with its steady gross domestic product growth rate and growth in purchasing power. The Land is located at Lunjiao Town, which 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). It is expected that, with the combined network and resources of the Company and the shareholder of Jiangmen Yingtuo in the PRC jewellery industry as well as in the construction and development of industrial and commercial properties in the PRC, the Joint Venture could provide synergy to the Group's development in the PRC jewellery market.

In light of the aforesaid, the Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON PGCI, THE COMPANY AND JIANGMEN YINGTUO

PGCI is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The Company is principally engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds).

Jiangmen Yingtuo is an investment vehicle wholly owned by Mr. Tan Weichao who has more than 20 years of experience in the construction and development of industrial and commercial properties in the PRC.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Transaction exceeds 25% but less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the requirements of announcement, reporting and Shareholders' approval under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction. Written Shareholder's approval has been obtained from Immaculate Diamonds Limited, being a Shareholder which holds 243,000,000 shares of the Company (representing 54% of the voting rights) as at the date of this announcement, in lieu of holding a special general meeting to approve the Transaction in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Transaction will be despatched to the Shareholders on or before 7 February 2017.

DEFINITION

Unless otherwise specified, capitalised terms used herein shall have the following meanings:

“Board”	the board of Directors
“Company”	Perfect Group International Group Limited, being a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Project Corporation Agreement”	the investment project corporation agreement entered into between PGCI and Jiangmen Yingtuo in relation to the formation of the Joint Venture
“Jiangmen Yingtuo”	Jiangmen City Yingtuo Real Estate Planning Co., Ltd.* (江門市盈拓地產策劃有限公司), an investment vehicle wholly owned by Mr. Tan Weichao
“Joint Venture”	the joint venture to be formed between PGCI and Jiangmen Yingtuo in the PRC pursuant to the Investment Project Corporation Agreement
“Land”	a parcel of land located at east of Foshan 1st Ring Road South Extension and south of Lunjiao Dachong River, 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佛山一環南延線以東、倫教大涌以南地塊)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Perfect Factory”	the processing factory of the Group located in Dongguan City, Guangdong Province, the PRC
“PGCI”	Perfect Group China Investment (HK) Limited, being a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shunde Public Resources Trading Centre”	Foshan City Shunde District Public Resources Trading Centre* (佛山市順德區公共資源交易中心)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the formation of the Joint Venture for the purpose of acquisition of the land use right of the Land

“US\$” United States dollar, the lawful currency of the United States of America

“%” per cent

* denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

The Board would like to emphasise that the Joint Venture may or may not be formed and the acquisition of the land use right of the Land may or may not be successful. As the Transaction may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company

For the purpose of illustration only and unless otherwise stated, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of 1 to 7.75 and conversion of RMB into HK\$ in this announcement is based on the exchange rate of 1 to 1.13. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at those or any other rates.

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

Hong Kong, 13 January 2017

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.