PERFECT GROUP
保發集團

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Perfect Group International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with comparative figures from the previous year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	2	**787,207**	522,005
Cost of goods sold		**(492,843)**	(354,020)
Gross profit		**294,364**	167,985
Other income		**10,474**	2,616
Other gains and losses		**37,102**	(1,360)
Selling and distribution costs		**(16,463)**	(14,905)
General and administrative expenses		**(55,573)**	(48,781)
Finance costs		**(3,534)**	(3,753)
Share of result of an associate		**(174)**	—
Profit before taxation	3	**266,196**	101,802
Taxation	4	**(83,545)**	(30,230)
Profit for the year		**182,651**	71,572

	NOTE	**2019** **HK$'000**	2018 HK$'000
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment upon transfer to investment properties			
— Surplus on revaluation		**13,273**	3,601
— Deferred taxation		**(3,318)**	(900)
		9,955	2,701
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(9,608)**	(15,427)
Other comprehensive income (expense) for the year		**347**	(12,726)
Total comprehensive income for the year		**182,998**	58,846
Profit for the year attributable to:			
Owners of the Company		**171,017**	55,270
Non-controlling interests		**11,634**	16,302
		182,651	71,572
Total comprehensive income for the year attributable to:			
Owners of the Company		**171,970**	46,074
Non-controlling interests		**11,028**	12,772
		182,998	58,846
Earnings per share	6		
— Basic		**12.67 HK cents**	4.09 HK cents
— Diluted		**12.67 HK cents**	4.04 HK cents

Consolidated Statement of Financial Position
At 31 December 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment		**110,338**	131,073
Right-of-use assets		**26,728**	—
Prepaid lease payments		**—**	14,863
Investment properties		**119,905**	9,563
Interest in an associate		**888**	—
Rental deposits		**273**	44
Deferred tax assets		**353**	285
		258,485	155,828
Current assets			
Inventories		**186,383**	167,033
Properties under development for sale		**—**	257,369
Properties held for sale		**322,849**	121,974
Trade and other receivables	7	**130,893**	143,386
Loan receivable from an associate		**17,328**	—
Prepaid lease payments		**—**	316
Bank balances and cash		**173,781**	218,114
		831,234	908,192
Current liabilities			
Trade and other payables	8	**127,837**	110,067
Contract liabilities		**258,884**	214,273
Lease liabilities		**8,129**	—
Taxation payable		**64,577**	22,482
Bank loans — amount due within one year		**49,259**	16,735
		508,686	363,557
Net current assets		**322,548**	544,635
Total assets less current liabilities		**581,033**	700,463

	NOTE	**2019** **HK$'000**	2018 *HK$'000*
Non-current liabilities			
Lease liabilities		**7,428**	—
Bank loans — amount due after one year		**—**	140,276
Provision for long service payments		**898**	986
Deferred tax liabilities		**13,293**	866
		21,619	142,128
Net assets		**559,414**	558,335
Share capital and reserves			
Share capital	9	**4,500**	4,500
Reserves		**554,849**	468,760
Equity attributable to owners of the Company		**559,349**	473,260
Non-controlling interests		**65**	85,075
		559,414	558,335

NOTES:

1. BASIS OF PREPARATION AND APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (the "HKFRSs")

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (the "**CO**").

New and Amendments to HKFRSs that are mandatorily effective for the current year.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and land leases in the People's Republic of China (the "**PRC**") was determined on a portfolio basis; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.75% to 5.13%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	15,700
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	14,629
Analysed as	
Current	5,991
Non-current	8,638
	14,629

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	14,629
Reclassified from prepaid lease payments *(note)*	15,179
	29,808
By class:	
Leasehold lands	15,179
Buildings	10,422
Motor vehicles	4,031
Fixtures and equipment	176
	29,808

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$316,000 and HK$14,863,000, respectively were reclassified to right-of-use assets.

Effective from 1 January 2019, leasehold lands which were classified as properties under development for sale/properties held for sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current Assets			
Prepaid lease payments	14,863	(14,863)	—
Right-of-use assets	—	29,808	29,808
Current Assets			
Prepaid lease payments	316	(316)	—
Current Liabilities			
Lease liabilities	—	5,991	5,991
Non-current liabilities			
Lease liabilities	—	8,638	8,638

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Other than as disclosed above, the directors of the Company anticipate that the application of above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of fine jewellery products net of discounts and returns and sales of properties during both years.

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the revenues and profits from different types of business divisions.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Manufacturing and sales of jewellery products business represents manufacturing and sales of jewellery products including rings, earrings, pendants, bangles, necklaces and bracelets ("**Manufacturing and sales of jewellery products**").

(ii) Property development business represents the development and sales of properties for the Group's integrated and comprehensive industry park project ("**Property development**").

(a) Segment revenue and results

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

For the year ended 31 December 2019

	Manufacturing and sales of jewellery products *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
External sales	**321,274**	**465,933**	**787,207**
Segment results	**44,938**	**195,184**	**240,122**
Unallocated corporate income			**39,007**
Unallocated corporate expenses			**(11,522)**
Unallocated finance costs			**(1,237)**
Share of result of an associate			**(174)**
Profit before taxation			**266,196**

For the year ended 31 December 2018

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	314,306	207,699	522,005
Segment results	35,408	82,545	117,953
Unallocated corporate income			141
Unallocated corporate expenses			(15,248)
Unallocated finance costs			(1,044)
Profit before taxation			101,802

Segment results represent the profit earned or loss incurred by each segment and hence is arrived at without allocation of certain income and expenses (including other income, other gains and losses, general and administrative expenses, finance costs and share of result of an associate). This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

At 31 December 2019

	Manufacturing and sales of jewellery products *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
Assets			
Segment assets	**348,879**	**615,680**	**964,559**
Interest in an associate			**888**
Deferred tax assets			**353**
Unallocated corporate assets			**123,919**
Consolidated total assets			**1,089,719**
Liabilities			
Segment liabilities	**61,302**	**390,295**	**451,597**
Taxation payable			**64,577**
Deferred tax liabilities			**13,293**
Unallocated corporate liabilities			**838**
Consolidated total liabilities			**530,305**

At 31 December 2018

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	315,859	735,282	1,051,141
Deferred tax assets			285
Unallocated corporate assets			12,594
Consolidated total assets			1,064,020
Liabilities			
Segment liabilities	35,683	446,057	481,740
Taxation payable			22,482
Deferred tax liabilities			866
Unallocated corporate liabilities			597
Consolidated total liabilities			505,685

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to operating segments other than deferred tax assets, interest in an associate and unallocated corporate assets.

— all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities and unallocated corporate liabilities.

Manufacturing and sales of jewellery products (revenue recognised at a point in time)

For manufacturing and sales of jewellery products to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (upon delivery of goods).

Property development (revenue recognised at a point in time)

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are not based on customer's specifications. Revenue from property developments is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

Geographical information

Revenue from external customers, based on location of delivery/transfer to customers is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
— Hong Kong	**207,507**	208,743
— Dubai	**107,384**	103,837
— The PRC	**472,316**	209,425
	787,207	522,005

No individual customer contributes revenue which accounted for more than 10% of the Group's total revenue during both years.

An analysis of the Group's non-current assets (other than deferred tax assets and interest in an associate) by their physical geographical location is as follows:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**544**	1,280
The PRC	**256,539**	153,943
Dubai	**161**	320
	257,244	155,543

3. PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment		
— cost of goods sold	**260**	537
— general and administrative expenses	**2,771**	1,730
— selling and distribution costs	**24**	15
	3,055	2,282
Depreciation of right-of-use assets	**8,285**	N/A
Total depreciation	**11,340**	2,282
Directors' remuneration		
— fees	**648**	636
— salaries and other benefits	**7,500**	6,500
— equity-settled share-based payment	**287**	1,049
— retirement benefits scheme contributions	**54**	54
	8,489	8,239
Other staff's salaries and other benefits	**21,536**	22,008
Other staff's equity-settled share-based payment	**1,116**	4,471
Other staff's retirement benefits scheme contributions	**1,219**	2,382
Total staff costs	**32,360**	37,100
Auditor's remuneration	**1,265**	1,800
Cost of inventories recognised as expenses (included in cost of goods sold)	**492,843**	354,020
Operating lease rentals in respect of rented premises and property, plant and equipment	**N/A**	7,304
Release of prepaid lease payments	**N/A**	286

4. TAXATION

	2019	2018
	HK$'000	*HK$'000*
The taxation charge comprises:		
Hong Kong Profits Tax		
— Current year	**2,681**	2,008
PRC Enterprise Income Tax ("**EIT**")		
— Current year	**44,648**	17,250
PRC Land Appreciation Tax ("**LAT**")	**26,927**	11,340
	74,256	30,598
Deferred tax charge (credit)	**9,289**	(368)
	83,545	30,230

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Group is engaged in manufacturing of fine jewellery products through processing factories in the PRC under contract processing arrangement. Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the processing factories, certain profits of the Group are not taxable under Hong Kong Profits Tax during both years. In addition, the processing factories of the Group is subject to the PRC EIT at a rate of 25% on the deemed profit generated in the PRC.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

5. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for 2019 of HK$0.01 (2018: HK$0.01) per share	**13,500**	13,500
Final dividend for 2018 of HK$0.01 (2017: HK$0.01) per share	**13,500**	13,500
Special dividend for 2018 of HK$0.02 (2017: nil) per share	**27,000**	—
	54,000	27,000

The directors proposed to declare a final dividend of HK$0.02 per share, totalling HK$27,000,000 in respect of the year ended 31 December 2019, to be paid to the shareholders whose names appear on the Company's register of members on 17 June 2020.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**171,017**	55,270
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,350,000**	1,350,000
Effect of dilutive potential ordinary shares:		
Share-based payments	**—**	18,183
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,350,000**	1,368,183

The computation of diluted earnings per share for the year ended 31 December 2019 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of the shares for the year.

7. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**94,259**	106,725
Less: Allowance for expected credit losses	**(1,717)**	(1,858)
	92,542	104,867
Other receivables, prepayments and deposits	**38,351**	38,519
	130,893	143,386

The following is an analysis of trade receivables net of allowance for expected credit losses by age, presented based on the invoice date, which approximates the respective revenue recognition date.

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**38,575**	41,983
31–60 days	**16,502**	16,252
61–180 days	**33,321**	36,692
181–365 days	**3,864**	7,986
Over 1 year	**280**	1,954
	92,542	104,867

The Group allows a credit period of up to 120 days to its customers. A longer credit period may be granted to large or long established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the Board has delegated management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 63% (2018: 50%) of the trade receivables, that are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

The Group's management takes into consideration of customers' credit history, settlement patterns, subsequent settlements, customers' financial position and an assessment of both the current and forecast general economic conditions and aging analysis of trade receivables in determining the recoverability of the overdue trade receivables. The directors of the Company considered that the concentration of credit risk is limited due to customer base being large and unrelated.

8. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**113,275**	102,626
Accruals and other payables	**14,562**	7,441
	127,837	110,067

Accruals and other payables mainly consist of payable of staff salaries and benefits and provisions for certain construction obligation.

The following is an aged analysis of trade payables presented based on invoice date at the end of each year:

	2019	2018
	HK$'000	*HK$'000*
0–60 days	**103,843**	98,154
61–90 days	**2,904**	1,802
Over 90 days	**6,528**	2,670
	113,275	102,626

9. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of one third Hong Kong cent each (2018: 3,000,000,000 ordinary shares of one third Hong Kong cent each)	**10,000**	10,000
Issued and fully paid:		
1,350,000,000 ordinary shares of one third Hong Kong cent each (2018: 1,350,000,000 ordinary shares of one third Hong Kong cent each)	**4,500**	4,500

The movements in the Company's share capital for the years ended 31 December 2018 and 2019 were as follows:

	Number of ordinary shares	**Nominal value of ordinary shares**
		HK$'000
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	3,000,000,000	10,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,350,000,000	4,500

All shares issued rank *pari passu* with the then existing in issue in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business outlook and future prospects

The principal business of the Group is designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) (the "**Jewellery Business**") and the development and sales of properties for the Group's integrated and comprehensive industry park located at 1st Ring Road South Extension Foshan, Guangdong Province, the PRC (the "**Property Development**") with the development plan to build an integrated and comprehensive industry park (the "**Perfect Group Jewellery Industry Park**").

Jewellery Business

In the first half of the year, the Group suffered from the weak buying behaviors of the customers in the Dubai region which the Group believed it was mainly due to the challenges from the global economic slowdown. However, in the second half of the year, the market continues to be weak. The Group considers that due to the outbreak of the coronavirus, the sales in the Jewellery Business in 2020 will continued to be sluggish and the recovery of the global market may only occur in the second half of the year. In response to the current situation, the Group has slowed down its development of the Jewellery Business in the PRC.

In the near term, the Group will focus on the reduction in the overheads, such as reducing the headcount and keeping a stable cash flow in its operations. The Group will wait for a clearer picture of the global situation to formulate the strategy on the Jewellery Business in the long term.

Property Development

The construction work on the Perfect Group Jewellery Industry Park has substantially completed. Almost all of the factory units in the Perfect Group Jewellery Industry Park which the Group intended to sell have been sold as at the date of this announcement. The Group will deliver the completed units to the respective purchasers after the completion of PRC regulatory procedures. The leasing of a certain part of the Perfect Group Jewellery Industry Park commenced in second half of the year and has made a stable revenue contributions to the Group.

During the year, the Group has acquired the entire equity interests in Jiangmen City Yingtuo Real Estate Planning Co., Ltd*. (江門市盈拓地產策劃有限公司) ("**Jiangmen Yingtuo**"), the major assets of which is the 30% equity interests in the 廣東保發珠寶產業園開發有限公司 (Guangdong Perfect Jewellery Industry Park Development Company Limited)* for a consideration of RMB57,380,000. The reason for the acquisition of Jingmen Yingtuo was to ensure the Group could have greater control on the development of and have a more stable income on the renting and operation of the Perfect Group Jewellery Industry Park. Further details of the transaction could be found on the announcement of the Group dated 30 August 2019.

The Group, with the establishment of a subsidiary in Shunde, Perfect Jewellery (China) Company Limited, has used the Perfect Tower in the Perfect Group Jewellery Industry Park as the only headquarter of the Group in the PRC for the development of the jewellery business in PRC.

Financial review

Overall Revenue

The Group's revenue for the year ended 31 December 2019 was approximately HK$787.2 million (as at 31 December 2018: approximately HK$522.0 million), representing a significant increase of approximately HK$265.2 million or 50.8% over the corresponding year of 2018. The significant increase in the Group's revenue was primarily due to the recognition of revenue from sale of properties in the PRC. On the other hand, revenue from Jewellery Business maintained similar level as that of last year.

The revenue of Jewellery Business and Property Development represents approximately 40.8% and 59.2% respectively of total revenue for the year ended 31 December 2019.

Jewellery Business

Revenue

The Group's revenue for Jewellery Business during the year ended 31 December 2019 was approximately HK$321.3 million (as at 31 December 2018: approximately HK$314.3 million), representing a marginal increase of approximately HK$7.0 million or 2.2% over the corresponding year of 2018.

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

The sales to Hong Kong and Dubai remained stable at approximately HK$207.5 million (as at 31 December 2018: approximately HK$208.7 million) and approximately HK$107.4 million (as at 31 December 2018: approximately HK$103.8 million), respectively, representing a decrease of 0.6% and an increase of 3.4%. The sales to the PRC was approximately HK$6.4 million (as at 31 December 2018: approximately HK$1.7 million), representing an increase of approximately HK$4.7 million, or 276.5%, over the corresponding year of 2018. The significant increase in the PRC was mainly due to the Group's development of the wholesale jewellery market in the PRC.

Gross profit and gross profit margin

The gross profit slightly increased from approximately from HK$80.0 million to HK$85.6 million, representing an increase of approximately HK$5.6 million, or 7.0%, which is in line with the sales generated from Jewellery Business. The gross profit margin was approximately 26.6% which was similar comparing with the corresponding year of 2018 (as at 31 December 2018: approximately 25.5%).

Property Development

Revenue, gross profit and gross profit margin

Revenue of approximately HK$465.9 million (as at 31 December 2018: approximately HK$207.7 million) was recorded for the year ended 31 December 2019 for the Property Development. The significant increase in revenue was mainly attributable to the increased momentum of the delivery of completed units to customers following the completion of major construction work and commencement of delivery of completed units to customers since the second half of 2018. The revenue from the Property Development was recognised at a point in time when the customer obtains control of the respective properties. The gross profit recognised for the year ended 31 December 2019 was approximately HK$208.8 million (as at 31 December 2018: approximately HK$88.0 million) and the gross profit margin was approximately 44.8% (as at 31 December 2018: approximately 42.4%) of the total revenue for the Property Development. The main reasons for the increase of gross profit margin were due to slight increase in selling price and the prudent provision of construction cost in 2018.

Overall gross profit and gross profit margin

Overall gross profit increased significantly from approximately HK$168.0 million for the year ended 31 December 2018 to approximately HK$294.4 million for the year ended 31 December 2019, representing a significant increase of approximately HK$126.4 million, or 75.2%. Included in the gross profit, approximately HK$85.6 million related to Jewellery Business, representing an increase of approximately HK$5.6 million or 7.0%, and approximately HK$208.8 million related to Property Development for the year ended 31 December 2019, representing a significant increase of approximately HK$120.8 million, or 137.3%.

Other income

Other income increased from approximately HK$2.6 million for the year ended 31 December 2018 to HK$10.5 million for the year ended 31 December 2019, a significant increase of approximately HK$7.9 million or 303.8%. The significant increase mainly was due to the income received from the renting of the PRC properties retained as investment properties which was approximately HK$4.6 million (as at 31 December 2018: approximately HK$32,000).

Other gains and losses

Other gains and losses mainly include gain on fair value changes upon transfer of properties held for sale to investment properties of approximately HK$36.5 million for the year ended 31 December 2019 (as at 31 December 2018: Nil).

Finance costs

Finance costs of approximately HK$3.5 million for the year ended 31 December 2019 (for the year ended 31 December 2018: HK$3.8 million) related to interests on the bank loans for the operation of the jewellery manufacturing and on the construction of the Property Development.

Selling and distribution costs

The increase in selling and distribution costs of approximately HK$14.9 million for the year ended 31 December 2018 to approximately HK$16.5 million for the year ended 31 December 2019, representing an increase of HK$1.6 million, or 10.7%, was mainly due to the increase in depreciation of right-of-use assets on the properties rented out amounting to HK$1.6 million for the year ended 31 December 2019.

General and administrative expenses

The increase in general and administrative expenses from approximately HK$48.8 million for the year ended 31 December 2018 to approximately HK$55.6 million for the year 31 December 2019, representing an increase of approximately HK$6.8 million, or 13.9%, was mainly due to the increase in staff salaries in Property Development of approximately HK$7.09 million for the year ended 31 December 2019.

Profit for the year

As a result of the above factors, profit after taxation for the year ended 31 December 2019 was approximately HK$182.7 million (as at 31 December 2018: approximately HK$71.6 million), representing an increase of approximately HK$111.1 million or approximately 155.2% over the corresponding year of 2018.

Financial position

Non-current Assets

Among the HK$110.3 million (as at 31 December 2018: approximately HK$131.1 million) of property, plant and equipment, no balance was recorded as construction in progress (as at 31 December 2018: approximately HK$127.4 million). The main reason was due to the fact that on completion of the construction work, all of the construction in progress recorded in last year were transferred to leasehold land and building. During the year, approximately HK$31.2 million was transferred to investment properties. As a result, approximately HK$107.2 million were recorded as leasehold land and building for the year ended 31 December 2019 (as at 31 December 2018: Nil). The remaining balance of approximately HK$3.2 million (as at 31 December 2018: approximately HK$3.7 million) were plant and machinery, furniture and fixtures and motor vehicles.

The Group has also changed the use of certain property of approximately HK$111.7 million (as at 31 December 2018: approximately HK$9.6 million) to investment properties and leased them to independent third parties for the year ended 31 December 2019.

Prepaid lease payments approximately HK$14.9 million in non-current assets and HK$0.3 million in current assets as at 1 January 2019 were reclassified to right-of-use assets on the adoption of HKFRS 16 and the carrying amount of HK$11.7 million was recorded for the year ended 31 December 2019.

Current assets

Current assets decreased approximately HK$77 million, or 8.5%, to approximately HK$831.2 million (as at 31 December 2018: approximately HK$908.2 million). The decrease was mainly attributable to the net impact of the transfer in the properties under development for sale of approximately HK$508.1 million to properties held for sale and the transfer of properties held for sales to cost of properties sold. Inventory of approximately HK$186.4 million (as at 31 December 2018: approximately HK$167.0 million) mainly comprised of raw materials, work in progress and finished goods. Bank balances and cash decreased to approximately HK$173.8 million (as at 31 December 2018: approximately HK$218.1 million) because the net effect of payment for acquisition of entire equity interest of 江門市盈拓地產策劃有限公司 (Jiangmen City Yingtuo Real Estate Planning Co., Ltd.) (further details are set out in the announcement of the Company dated 30 August 2019), repayment of bank loans and cash received from operations.

Current Liabilities

Trade and other payables amounted to approximately HK$127.8 million for the year ended 31 December 2019 (as at 31 December 2018: approximately HK$110.0 million) comprised of trade payable of approximately HK$113.3 million (as at 31 December 2018: approximately HK$102.6 million) and accrual and other payables of approximately HK$14.5 million (as at 31 December 2018: approximately HK$7.4 million). Accrual and other payables mainly consists of payable of staff salaries and benefits and provision for certain construction obligations. As at 31 December 2019, trade payables increased from approximately HK$102.6 million for the year ended 31 December 2018 to approximately HK$113.3 million for the year ended 31 December 2019 mainly due to construction cost increased during 2019.

The contract liabilities, which are the deposit received from the customers of properties in the PRC, amounted to approximately HK$258.9 million for the year ended 31 December 2019 (as at 31 December 2018: approximately HK$214.3 million).

Liquidity and financial resources

As at 31 December 2019, the Group had current assets of approximately HK$831.2 million (as at 31 December 2018: approximately HK$908.2 million) and current liabilities amounted to approximately HK$508.7 million (as at 31 December 2018: approximately HK$363.6 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 as at 31 December 2019 (as at 31 December 2018: approximately 2.5).

Gearing ratio

Based on total borrowings divided by equity, the gearing ratio was approximately 8.8% (as at 31 December 2018: approximately 28.1%).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2019 (as at 31 December 2018: Nil).

Charge on assets

There was charge on the Group’s assets as at 31 December 2019 amounted to approximately HK$237.8 million (as at 31 December 2018: approximately HK$152.1 million).

Capital commitments

As at 31 December 2019, the Group did not have significant commitments contracted for but not provided in the consolidated financial statements (as at 31 December 2018: approximately HK$380.9 million).

Use of proceeds

The shares were listed on the Stock Exchange on 4 January 2016. A total of 112,500,000 new shares with nominal value of HK$0.01 each of the Company were issued at HK$0.93 per share. The net proceeds raised from the issue of new shares of the Company, after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the listing, were estimated to be HK$76.5 million. The revised allocation of the net proceeds and the utilisation of the net proceeds as at 31 December 2019 are set out below:

Uses	**Revised allocation** *HK$'000*	**Utilisation as at 31 December 2019** *HK$'000*	**Remaining balance** *HK$'000*
Expanding the Middle East and European high-end markets	7,700	7,700	—
Upgrading the existing production facilities and hiring and training additional labour	1,839	1,839	—
Brand development	16,837	16,837	—
Enhancing the CRM system	3,597	3,597	—
Additional working capital and other general corporate purposes	2,220	2,220	—
Establishing the headquarter in the PRC and developing the PRC market	44,340	44,340	—
Total	**76,533**	**76,533**	**—**

Employee and remuneration policy

As at 31 December 2019, the Group had approximately 133 employees (as at 31 December 2018: approximately 118 employees) in Hong Kong and the PRC. The total salaries and related costs for the year ended 31 December 2019 amounted to approximately HK$32.4 million (2018: HK$37.1 million).

The Group offered competitive remuneration package as an incentive to staff to improve their work performance. The Company has a share option scheme in place as a means to encourage and reward eligible employees' (including Directors of the Company) contributions to the Group's performance and business developments based on their individual performance. The employees' remuneration, promotion and salary are assessed by reference to their work performance, working experiences, professional qualifications and the prevailing market practices.

Dividend

The Company has paid an interim dividend of HK$0.01 (as at 21 September 2018: HK$0.01) per share on 17 September 2019.

The Directors propose the payment of HK$0.02 (as at 31 December 2018: HK$0.03) per share as the final dividend for the year ended 31 December 2019.

The proposed final dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company. A notice convening the annual general meeting of the Company and advising the book closure dates for the purpose of determining the Shareholders' rights to attend and vote at the annual general meeting will be published and despatched to Shareholders in due course.

Closure of register of members

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:00 p.m. on Friday, 12 June 2020. The register of members of the Company will be closed from Monday, 15 June 2020 to Wednesday, 17 June 2020, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders on the proposed final dividend at the annual general meeting to be held, the final dividend will be paid on or around Wednesday, 24 June 2020 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 17 June 2020.

Code on corporate governance practices

The Company is committed to maintaining good standard of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and responsibility. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in the Appendix 14 of the Listing Rules. Since the date of Listing and up to the date of this announcement, the Company has complied with the code provision under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices which are considered appropriate to the operation and growth of its business.

According to code provision A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separate and should not be performed by the same individual. The role of the chief executive officer of the Company has been performed by Mr. Kan Kin Kwong, who is also the chairman of the Company. Mr. Kan Kin Kwong, as the founder of the Group, has extensive experience and knowledge in the fine jewellery industry and is responsible for managing the overall operations of the Group and planning the business development and strategies. The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high caliber individuals. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Model code for securities transactions of Directors

The Company adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have complied with the Model Code during the year ended 31 December 2019.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of listing securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

Sufficiency of public float

Up to the date of this announcement, the Company has maintained a sufficient public float.

Audit committee

The audit committee (the "**Audit Committee**") comprises three independent non-executive Directors namely, Mr. Fan Chor Ho, Mr. Li Cheuk Wai and Mr. Wong Wai Keung Frederick as at the date of this report. Mr. Wong Wai Keung Frederick is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Scope of work of the auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2019 have been agreed with the Company's auditor, Deloitte Touche Tohmatsu, certified public accountants ("**Deloitte**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this announcement.

Publication of final results announcement and annual report

The results announcement is published on Company's website (www.hkperjew.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will also be available at the Company's and the Stock Exchange's website and despatched to the Company's shareholders in due course.

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

Hong Kong, 20 March 2020

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