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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Perfect Group International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020 as follows:

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

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	and restated)
Revenue	3	195,236	264,300
Cost of goods sold		(138,075)	(145,647)
Gross profit		57,161	118,653
Other income		396	2,529
Net impairment loss recognised on trade receivables		(4,599)	(8,473)
Other gains and losses		15,527	(759)
Selling and distribution costs		(4,453)	(3,559)
General and administrative expenses		(20,278)	(21,115)
Finance costs		(214)	(594)
Share of result of an associate		62	(84)
Profit before taxation	4	43,602	86,598
Taxation	5	(19,498)	(39,736)
Profit for the period		24,104	46,862

	<i>NOTE</i>	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited and restated)
Other comprehensive income (expense) for the period			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment and right-of-use assets upon transfer to investment properties			
— Surplus on revaluation		3,918	7,521
— Deferred taxation		(980)	(1,892)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		5,459	(1,040)
Other comprehensive income for the period		8,397	4,589
Total comprehensive income for the period		32,501	51,451
Profit (loss) for the period attributable to:			
Owners of the Company		24,096	46,897
Non-controlling interests		8	(35)
		24,104	46,862
Total comprehensive income (expense) attributable to:			
Owners of the Company		32,489	51,486
Non-controlling interests		12	(35)
		32,501	51,451
Earnings per share	7		
– Basic		1.78 HK cents	3.47 HK cents
– Diluted		1.78 HK cents	3.47 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021	At 31 December 2020
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		74,530	79,864
Right-of-use assets		10,717	14,226
Investment properties		260,239	220,795
Interest in an associate		936	865
Rental deposits		251	251
Deferred tax assets		—	406
		<u>346,673</u>	<u>316,407</u>
Current assets			
Inventories		152,178	161,719
Properties held for sale		174,290	206,521
Trade receivables, other receivables and prepayments	8	100,507	72,377
Loan receivable from an associate		13,873	13,718
Financial assets at fair value through profit or loss		22,760	—
Derivative financial instruments		—	1,023
Bank balances and cash		58,246	81,201
		<u>521,854</u>	<u>536,559</u>
Current liabilities			
Trade and other payables	9	65,856	51,007
Contract liabilities		31,593	77,709
Lease liabilities		2,045	4,055
Taxation payable		50,245	40,445
Bank loans – amount due within one year		29,484	—
		<u>179,223</u>	<u>173,216</u>
Net current assets		<u>342,631</u>	<u>363,343</u>
Total assets less current liabilities		<u>689,304</u>	<u>679,750</u>

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		2,849	3,701
Provision for long service payments		898	898
Deferred tax liabilities		28,423	23,518
		<u>32,170</u>	<u>28,117</u>
Net assets		<u>657,134</u>	<u>651,633</u>
Share capital and reserves			
Share capital	<i>10</i>	4,500	4,500
Reserves		652,591	647,102
Equity attributable to owners of the Company		657,091	651,602
Non-controlling interests		43	31
		<u>657,134</u>	<u>651,633</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the Group’s condensed consolidated financial statements for the six months ended 30 June 2021, property investment has become one of the principal activities of the Group and rental income for the period is presented as revenue, and the comparative financial information has been restated.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

Other than changes in accounting policies resulting from application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which 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:

Amendment 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 positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. 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 periods.

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 business (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 business 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.

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 business represents the investment in and development and sales of properties for the Group's integrated and comprehensive industry park project (“**Property business**”).

(a) Segment revenue and results

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

For the six months ended 30 June 2021 (unaudited)

	Manufacturing and sales of jewellery products	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue*	<u>142,685</u>	<u>52,551</u>	<u>195,236</u>
Segment results	<u>13,228</u>	<u>26,083</u>	39,311
Net impairment loss recognised on trade receivables			(4,599)
Gain from changes in fair value upon transfer of properties held for sale to investment properties			13,826
Gain from changes in fair value of investment properties			773
Net gain on fair value changes of derivative financial instruments			861
Unallocated corporate income			77
Unallocated corporate expenses			(6,642)
Unallocated finance costs			(67)
Share of result of an associate			<u>62</u>
Profit before taxation			<u>43,602</u>

* Segment revenue comprise revenue from sales of jewellery products of HK\$142,685,000 under manufacturing and sales of jewellery products segment, and sales of properties of HK\$45,561,000 and rental income from lease of properties of HK\$6,990,000 under property business segment.

For the six months ended 30 June 2020 (unaudited and restated)

	Manufacturing and sales of jewellery products	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue*	<u>57,578</u>	<u>206,722</u>	<u>264,300</u>
Segment results	<u>10,238</u>	<u>88,264</u>	98,502
Net impairment loss recognised on trade receivables			(8,473)
Loss from changes in fair value of investment properties			(660)
Unallocated corporate income			2,017
Unallocated corporate expenses			(4,434)
Unallocated finance costs			(270)
Share of result of an associate			(84)
Profit before taxation			<u>86,598</u>

* Segment revenue comprise revenue from sales of jewellery products of HK\$57,578,000 under manufacturing and sales of jewellery products segment, and sales of properties of HK\$203,738,000 and rental income from lease of properties of HK\$2,984,000 under property business segment.

Segment results represent the profit earned by each segment and is arrived at without allocation of certain income and expenses (including net impairment loss recognised on trade receivables, 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.

The comparative figures of revenue, other income, unallocated corporate expense, loss from changes in fair value of investment properties and net impairment loss recognised on trade receivables in the segment revenue and results have been re-presented consistent with current period's presentation.

(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 30 June 2021 (unaudited)

	Manufacturing and sales of jewellery products	Property business	Consolidated
	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>
Assets			
Segment assets	327,526	537,598	865,124
Interest in an associate			936
Unallocated corporate assets			2,467
Consolidated total assets			<u>868,527</u>
Liabilities			
Segment liabilities	62,431	69,505	131,936
Taxation payable			50,245
Deferred tax liabilities			28,423
Unallocated corporate liabilities			789
Consolidated total liabilities			<u>211,393</u>

At 31 December 2020 (audited and restated)

	Manufacturing and sales of jewellery products	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets			
Segment assets	285,956	561,941	847,897
Interest in an associate			865
Deferred tax assets			406
Unallocated corporate assets			<u>3,798</u>
Consolidated total assets			<u><u>852,966</u></u>
Liabilities			
Segment liabilities	27,585	109,081	136,666
Taxation payable			40,445
Deferred tax liabilities			23,518
Unallocated corporate liabilities			<u>704</u>
Consolidated total liabilities			<u><u>201,333</u></u>

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.

The comparative figures for segment liabilities and taxation payable have been re-presented consistent with current period's presentation.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment included in:		
– cost of goods sold	61	105
– general and administrative expenses	1,550	1,360
– selling and distribution costs	18	12
	<u>1,629</u>	<u>1,477</u>
Depreciation of right-of-use-assets	<u>2,774</u>	<u>4,100</u>
Total depreciation	<u>4,403</u>	<u>5,577</u>
Directors' remuneration		
– fee	1,256	1,124
– salaries and other benefits	2,818	2,425
– retirement benefit scheme contributions	27	27
	<u>4,101</u>	<u>3,576</u>
Other staff's salaries and other benefits	7,054	7,003
Other staff's retirement benefits scheme contributions	165	191
	<u>11,320</u>	<u>10,770</u>
Total staff costs	<u>11,320</u>	<u>10,770</u>
Auditor's remuneration	600	600
Cost of inventories recognised as expenses (included in cost of goods sold)	<u>138,075</u>	<u>145,647</u>

5. TAXATION

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
PRC Enterprise Income Tax (“EIT”)		
– Current period	5,636	25,433
PRC Land Appreciation Tax (“LAT”)	8,907	14,495
Hong Kong Profits Tax		
– Current period	890	—
	15,433	39,928
Deferred tax (credit) charge	4,065	(192)
	19,498	39,736

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 periods. 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 project of properties development.

6. DIVIDEND

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period		
Final dividend for 2020 of HK\$0.02 (2019: HK\$0.02) per share	27,000	27,000
	27,000	27,000

The directors of the Company had not declared any interim dividend for the six months ended 30 June 2020 and 2021.

7. 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:

	At	At
	30 June	30 June
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	24,096	46,897
	24,096	46,897

	<u>Number of shares</u>	
	<u>'000</u>	<u>'000</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,350,000</u>	<u>1,350,000</u>

The computation of diluted earnings per share for the both periods does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the shares for both periods.

8. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	87,999	61,443
Less: Allowance for expected credit losses	<u>(14,789)</u>	<u>(10,190)</u>
	73,210	51,253
Other receivables, prepayments and deposits	<u>27,297</u>	<u>21,124</u>
	<u>100,507</u>	<u>72,377</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months period ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
0–30 days	28,088	21,364
31–60 days	19,744	13,143
61–180 days	22,996	11,971
181–365 days	1,778	2,694
Over 1 year	604	2,081
	<u>73,210</u>	<u>51,253</u>

The Group generally 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.

Other receivables, prepayments and deposits mainly consist of value-added tax recoverable.

9. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	<u>40,824</u>	<u>31,705</u>
Accruals and other payables	<u>25,032</u>	<u>19,302</u>
	<u>65,856</u>	<u>51,007</u>

Accruals and other payables mainly consist of payable of staff salaries and benefits.

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the period:

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
0–60 days	35,994	21,815
61–90 days	2	—
Over 90 days	4,828	9,890
	<u>40,824</u>	<u>31,705</u>

10. SHARE CAPITAL

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Authorised: 3,000,000,000 ordinary shares of one third Hong Kong cent each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid: 1,350,000,000 ordinary shares of one third Hong Kong cent each	<u>4,500</u>	<u>4,500</u>
	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised: At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u><u>3,000,000,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid: At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u><u>1,350,000,000</u></u>	<u><u>4,500</u></u>

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 Group is one of the top fine jewellery manufactures and wholesalers with over 30 years of history in Hong Kong. The principal business of the Group is designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) (“**Jewellery Business**”) and the development, sales, renting and provision of management services for properties for the Group’s integrated and comprehensive industry park located at 1st Ring Road South Extension Foshan, Guangdong Province, the People’s Republic of China (the “**PRC**”) (“**Property Business**”) (the “**Perfect Group Jewellery Industry Park**”).

In the first half of the year, for the Jewellery Business, the Group continued to suffer from the outbreak of the 2019 Novel Coronavirus (“**Covid-19**”) which restrained the Group to participate in various shows, fairs and exhibitions. Most of the shows, fairs and exhibitions were either postponed or canceled during the period. The participation of trade shows, fairs and exhibitions are significant part of logistics and marketing activities of the Group. However, with the relief of certain measures on cross-border travel, trade shows, fairs and exhibitions are expected to gradually resume and our sales team will be able to visit our customers overseas which strengthens our sales and marketing activities in the Jewellery Business.

Since the second half of 2018, the Group has started to deliver the completed units in Perfect Group Jewellery Industry Park to customers. The delivery of the units sold and the revenue recognition have proceeded as scheduled. The management company of the Group in Perfect Group Jewellery Industry Park is now in full operation. The Group has also leased out part of the units of Perfect Group Jewellery Industry Park. The renting of properties and the provision of management services in the Perfect Group Jewellery Industry Park generated stable income for the Group.

FINANCIAL REVIEW

Overall Revenue

The Group's revenue for the six months ended 30 June 2021 was approximately HK\$195.2 million (six months ended 30 June 2020: approximately HK\$264.3 million), representing a decrease of approximately HK\$69.1 million or 26.1% from the corresponding period of 2020. The decrease in the Group's revenue was primarily due to the significant decrease in recognition of revenue amounting to approximately HK\$154.1 million or 74.6% from the corresponding period from Property Business which was partly offset by the increase in revenue from Jewellery Business during the period.

The revenue of Jewellery Business and Property Business represents approximately 73.1% and 26.9% of our total revenue, respectively.

Jewellery Business

Revenue

The Group's revenue for Jewellery Business during the six months ended 30 June 2021 was approximately HK\$142.7 million (six months ended 30 June 2020: approximately HK\$57.6 million), representing a significant increase of approximately HK\$85.1 million or 147.7% from the corresponding period of 2020. The significant increase was primarily due to the increase of the sales of jewellery in PRC from HK\$3.5 million to HK\$42.4 million and the increase in sales overseas from HK\$54.1 million to HK\$100.3 million. The significant increase of sales in the PRC is mainly due to the focus of the development of the PRC market and the increase of sales overseas is mainly due to resumption of the visits of sales team to the customers in Dubai, Turkey and other cities from March 2021.

The Group's online trading business of jewellery related products in the PRC which commenced operation in April 2021 generated revenue of approximately HK\$0.5 million for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Gross profit and gross profit margin

The gross profit increased from approximately HK\$14.2 million to HK\$28.5 million, representing a significant increase of approximately HK\$14.3 million or 100.7% which is in line with the significant increase in the sales of Jewellery Business. The gross profit margin was approximately 20.1% for the period ended 30 June 2021 (six months ended 30 June 2020: 24.7%), which is lower than that for the 2020 period mainly due to a higher mix of sales in the PRC with relatively lower gross profit margin.

Property Business

Revenue, gross profit and gross profit margin

Revenue of approximately HK\$52.5 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$206.7 million) was recorded for the Property Business. The significant decrease in sales in the Property Business is mainly due to the fact that most of the properties were delivered to the purchasers at the end of the 2020 year. The gross profit recognised for the six months ended 30 June 2021 was approximately HK\$28.6 million (six months ended 30 June 2020: HK\$104.4 million) and the gross profit margin was approximately 54.4% (six months ended 30 June 2020: approximately 50.5%). The increase was primarily due to the slight increase in selling price of units and lowering of estimated cost.

Overall gross profit and gross profit margin

Overall gross profit decreased from approximately HK\$118.7 million to HK\$57.2 million, representing a significant decrease of approximately HK\$61.5 million or 51.8%. With respect to the gross profit, approximately HK\$28.5 million related to Jewellery Business, representing a significant increase of approximately 100.7%, and approximately HK\$28.6 million related to Property Business, representing a significant decrease of approximately 72.6%.

Other Income

Other income comprised primarily of interest income of approximately HK\$0.4 million (six months ended 30 June 2020: approximately HK\$1.7 million).

Other gains and losses

Other gains and losses comprised primarily of gain from changes in fair value upon transfer of properties held for sale to investment properties of approximately HK\$13.8 million (six months ended 30 June 2020: Nil), gain from changes in fair value of investment properties of approximately HK\$0.8 million (six months ended 30 Jun 2020: loss from changes in fair value of investment properties at approximately HK\$0.6 million) and net gain on fair value changes of derivative financial instruments at approximately HK\$0.9 million (six months ended 30 June 2020: Nil).

Finance costs

The finance costs for the six months ended 30 June 2021 was approximately HK\$214,000 (six months ended 30 June 2020: approximately HK\$594,000). The finance costs comprised of interests on short term financing, loan interest of bank borrowing in the PRC and interest on lease liabilities. The finance costs decreased primarily due to the bank borrowing in PRC during the six months ended 30 June 2020 was fully repaid and the new loans for the six months ended 30 June 2021 in Hong Kong was only utilized from May 2021 onwards.

Selling and Distribution Costs

The selling and distribution costs for the six months ended 30 June 2021 was approximately HK\$4.5 million (six months ended 30 June 2020: approximately HK\$3.6 million), an increase of approximately HK\$0.9 million, or approximately 25%, as compared with corresponding period in 2020.

The increase was primarily attributed to additional selling and distribution costs of approximately HK\$981,000 for the expansion of the business in PRC.

General and Administrative Expenses

The general and administrative expenses for the six months ended 30 June 2021 was approximately HK\$20.3 million (six months ended 30 June 2020: approximately HK\$21.1 million), representing a decrease of approximately HK\$0.8 million or 3.8% from the corresponding period of 2020. The slight decrease in general and administrative expenses was primarily attributable to the effect of slight cost control and most of the cost are fixed expenses in nature.

Profit for the Period

As a result of the above factors, profit for the six months ended 30 June 2021 was approximately HK\$24.1 million (six months ended 30 June 2020: approximately HK\$46.9 million), representing a decrease of approximately 48.6%.

Liquidity and financial resources

As at 30 June 2021, the Group had current assets of approximately HK\$521.9 million (as at 31 December 2020: approximately HK\$536.6 million) which comprised of bank balances and cash of approximately HK\$58.2 million (as at 31 December 2020: approximately HK\$81.2 million) and properties held for sale of approximately HK\$174.3 million (as at 31 December 2020: approximately HK\$206.5 million). As at 30 June 2021, the current liabilities amounted to approximately HK\$179.2 million (as at 31 December 2020: approximately HK\$173.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.91 as at 30 June 2021 (as at 31 December 2020: approximately 3.1).

Despite the outbreak of Covid-19 which had a negative impact on the operations of the Jewellery Business, the Group together with other businesses can maintain its healthy cash flow requirements as a whole. As at the period ended 30 June 2021, the Group after repaying all the bank borrowings at approximately HK\$29.4 million continued to maintain bank balances and cash of approximately HK\$28.8 million with an undrawn standby facilities with the bank to cater for the future operation requirements. The Directors believe that the Group has adequate working capital to support its ongoing operations and development requirements.

Gearing ratio

The Group had the gearing ratio, based on total borrowings divided by equity, at approximately 4.5% (as at 31 December 2020: Nil).

Charge of assets

There was no charge on the Group's assets as at 30 June 2021 (as at 31 December 2020: Nil).

Capital commitments

As at 30 June 2021, the Group did not have any significant commitments contracted for but not provided in the consolidated financial statements (as at 31 December 2020: nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2021 (as at 31 December 2020: nil).

Employee and remuneration policy

As at 30 June 2021, the Group had a total of approximately 123 employees (six month ended 30 June 2020: 115 employees) in Hong Kong and the PRC. The increase in head count was mainly due to the full operation of the Perfect Group Jewellery Industry Park management company in the PRC and the expansion of the PRC business. The total salaries and related costs for the six months ended 30 June 2021 amounted to approximately HK\$11.3 million (six months ended 30 June 2020: HK\$10.8 million). During the six months ended 30 June 2021, the staff salary and related costs was HK\$7.1 million (six months ended 30 June 2020: HK\$7.0 million). The Directors' remuneration was HK\$4.1 million (six months ended 30 June 2020: HK\$3.6 million). The slight increase in the Directors remuneration was mainly due to the forfeiture of remuneration by some directors to share the cost reduction programme with staff during the six months ended period 30 June 2020.

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 the eligible employees (including the Directors of the Company) for contributions to the Group's performance and business development, based on their individual performance. The employees' remuneration, promotion and salary are assessed by reference to their work performance, working experience and professional qualifications and the prevailing market practice.

Future plans and prospects

The Group embarked on the initiative to explore the trading business of jewellery related products in the PRC. During the first half of 2021, a wholly owned subsidiary of the Group, Perfect Jewellery (China) Company Limited* 保發珠寶(中國)有限公司 (“**Perfect Jewellery China**”) formed a new company Perfect Jewellery Yuan Dian Supply Chain Company Limited* 保發珠寶源點供應鏈有限公司 (“**Perfect Yuan Dian**”) with independent third parties of the Group Yuan Dian Jewellery (Shanghai) Company Limited* 源點珠寶(上海)有限公司 (“**Yuan Dian**”) and Shenzhen City Yu Ya Jewellery Ornaments Company Limited* 深圳市御雅珠寶首飾有限公司 (“**Yu Ya**”). Perfect Yuan Dian is owned as to 60% by Perfect Jewellery China, 30% by Yuan Dian and 10% by Yu Ya. The total capital commitment of Perfect Yuan Dian is RMB5 million and our Group contributed RMB3 million into Perfect Yuan Dian. The Group plans to expand our jewellery business in the PRC market by leveraging on the experience of Yuan Dian and Yu Ya. Perfect Yuan Dian is still in the infant stage of operation and is expected to make more contributions to the Group in future.

The Group has also leased out part of the Perfect Group Jewellery Industry Park which provides a stable income for the Group. The management company of the Group which is responsible for the maintenance and repairs as well as providing a safe and habitable environment in the Perfect Group Jewellery Industry Park is now in full operation. The leasing and management operations in Perfect Group Jewellery Industry Park will continue to provide a stable rental and management fee income to the Group.

Interim dividend

The Board, after considering the current market situation and the operation of the Group, resolved not to declare interim dividend for the period.

* For reference, translated names only

Code on corporate governance practices

The Company is committed to maintaining good standard of corporate governance to safeguard the interest of the shareholders and to enhance corporate value and responsibility. During the six months ended 30 June 2021, the Company has adopted and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), except the deviation from code provision A.2.1 of the CG Code as explained below.

According to code provision A.2.1 of the CG Code, the role of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Kan Kin Kwong, who was also the chairman of the Board. Mr. Kan, 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 calibre 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 six months ended 30 June 2021.

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 its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

Sufficiency of public float

Since the Listing Date and up to the date of this announcement, the Company has maintained a sufficient public float.

Audit committee

The audit committee comprises three independent non-executive directors namely, Mr. Fan Chor Ho, Mr. Lee Ka Wing and Mr. Wong Wai Keung Frederick. Mr. Wong Wai Keung Frederick is the chairman of the audit committee. The audit committee and the Company's auditors have reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

Publication of interim results announcement

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

The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules, which will be available at the Company's and the Stock Exchange's websites and dispatched to the Company's shareholders in due course.

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

Hong Kong, 16 August 2021

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. Lee Ka Wing and Mr. Wong Wai Keung Frederick.