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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**302,350**	182,169
Cost of goods sold		**(204,595)**	(132,624)
Gross profit		**97,755**	49,545
Other income		**4,170**	758
Other gains and losses		**15,694**	(470)
Selling and distribution costs		**(8,598)**	(8,170)
General and administrative expenses		**(26,995)**	(22,247)
Finance costs		**(1,567)**	(531)
Share of result of an associate		**(54)**	—
Profit before taxation	*4*	**80,405**	18,885
Taxation	*5*	**(22,701)**	(2,903)
Profit for the period		**57,704**	15,982

	NOTE	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive income (expense) for the period			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment upon transfer to investment properties			
— Surplus on revaluation		**7,602**	—
— Deferred taxation		**(1,953)**	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(952)**	(3,202)
Other comprehensive income (expense) for the period		**4,697**	(3,202)
Total comprehensive income for the period		**62,401**	12,780
Profit (loss) for the period attributable to:			
Owners of the Company		**45,398**	16,312
Non-controlling interests		**12,306**	(330)
		57,704	15,982
Total comprehensive income (expense) attributable to:			
Owners of the Company		**48,625**	14,015
Non-controlling interests		**13,776**	(1,235)
		62,401	12,780
Earnings per share	*7*		
– Basic		**3.36 HK cents**	1.21 HK cents
– Diluted		**3.36 HK cents**	1.19 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**At 30 June 2019** **HK$'000** **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**117,146**	131,073
Prepaid lease payments		**—**	14,863
Investment properties		**62,109**	9,563
Right-of-use assets		**31,629**	—
Rental deposits		**280**	44
Interest in an associate		**1,028**	—
Deferred tax assets		**309**	285
		212,501	155,828
Current assets			
Inventories		**174,679**	167,033
Properties under development for sale		**363,467**	257,369
Properties held for sale		**25,173**	121,974
Trade and other receivables	*8*	**147,665**	143,386
Loan receivable from an associate		**17,688**	—
Prepaid lease payments		**—**	316
Bank balances and cash		**294,636**	218,114
		1,023,308	908,192
Current liabilities			
Trade and other payables	*9*	**73,946**	110,067
Contract liabilities		**477,530**	214,273
Lease liabilities		**7,434**	—
Taxation payable		**22,812**	22,482
Bank loans – amount due within one year		**31,271**	16,735
		612,993	363,557
Net current assets		**410,315**	544,635
Total assets less current liabilities		**622,816**	700,463

	NOTE	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Provision for long service payments		**915**	986
Deferred tax liabilities		**6,552**	866
Lease liabilities		**11,018**	—
Bank loans — amount due after one year		**22,692**	140,276
		41,177	142,128
Net assets		**581,639**	558,335
Share capital and reserves			
Share capital	*10*	**4,500**	4,500
Reserves		**478,288**	468,760
Equity attributable to owners of the Company		**482,788**	473,260
Non-controlling interests		**98,851**	85,075
		581,639	558,335

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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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 new and 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.

Impacts and changes in accounting policies of application on HKFRS 16 "*Leases*"

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

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Transition and summary of effects arising from initial application of HKFRS 16

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. 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:

i. 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;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. 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 PRC was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease terms of certain leases of properties and land leases in the People's Republic of China (the "**PRC**") for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

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 or accrual lease payments by applying HKFRS 16.CB (b)(ii) transition.

The Group recognised lease liabilities of HK$14,629,000 and right-of-use assets of HK$29,808,000 at 1 January 2019.

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 lessee's 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.

The following adjustments were made to the amounts recognised in the condensed 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 six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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. The application of HKFRS 16 has had no material impact on the Group's condensed consolidated financial statements for the six months ended 30 June 2019.

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 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.

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 six months ended 30 June 2019 (unaudited)

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	**172,867**	**129,483**	**302,350**
Segment results	**25,497**	**46,666**	**72,163**
Unallocated corporate income			**15,761**
Unallocated corporate expenses			**(6,435)**
Finance costs			**(1,030)**
Share of result of an associate			**(54)**
Profit before taxation			**80,405**

For the six months ended 30 June 2018 (unaudited)

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	182,169	—	182,169
Segment results	26,655	(580)	26,075
Unallocated corporate income			88
Unallocated corporate expenses			(6,747)
Finance costs			(531)
Profit before taxation			18,885

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 30 June 2019 (unaudited)

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	**359,877**	**808,389**	**1,168,266**
Interest in an associate			**1,028**
Deferred tax assets			**309**
Unallocated corporate assets			**66,206**
Consolidated total assets			**1,235,809**
Liabilities			
Segment liabilities	**79,032**	**544,999**	**624,031**
Taxation payable			**22,812**
Deferred tax liabilities			**6,552**
Unallocated corporate liabilities			**775**
Consolidated total liabilities			**654,170**

At 31 December 2018 (audited)

	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.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
– Hong Kong	**112,651**	107,890
– Dubai	**60,058**	73,470
– The PRC	**129,641**	809
	302,350	182,169

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:

	At	At
	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**12,341**	1,280
The PRC	**198,346**	153,943
Dubai	**477**	320
	211,164	155,543

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment		
– cost of goods sold	**131**	308
– general and administrative expenses	**1,858**	980
– selling and distribution costs	**12**	—
	2,001	1,288
Depreciation of right-of-use-assets	**3,986**	—
Total depreciation	**5,987**	1,288
Directors' remuneration		
– fee	**1,256**	1,256
– salaries and other benefits	**2,818**	2,342
– equity-settled share-based payment	**287**	895
– retirement benefit scheme contributions	**27**	27
	4,388	4,520
Other staff's salaries and other benefits	**11,133**	12,527
Other staff's equity-settled share-based payment	**1,116**	3,259
Other staff's retirement benefits scheme contributions	**629**	1,505
Total staff costs	**17,266**	21,811
Auditor's remuneration	**600**	600
Cost of inventories recognised as expenses (included in cost of goods sold)	**204,595**	132,624

5. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current period	**1,270**	2,331
PRC Enterprise Income Tax ("**EIT**")		
– Current period	**9,735**	703
PRC Land Appreciation Tax ("**LAT**")	**7,883**	—
	18,888	3,034
Deferred tax charge (credit)	**3,813**	(131)
	22,701	2,903

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%.

For the six months ended 30 June 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

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 properties development.

6. DIVIDEND

A final dividend of HK$0.01 per share, totalling HK$13,500,000 and a special dividend of HK$0.02 per share in respect of the year ended 31 December 2018, totalling HK$27,000,000 (six months ended 30 June 2018: a final dividend of HK$0.01 per share, totalling HK$13,500,000 in respect of the year ended 31 December 2017) were paid to the shareholders of the Company whose names appeared on the register of members of the Company on 6 June 2019.

The directors of the Company resolved to declare an interim dividend of HK$0.01 per share, totalling HK$13,500,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$0.01 per share totally HK$13,500,000). The interim dividend is payable on Tuesday, 17 September 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 6 September 2019.

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 30 June 2019 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Unaudited)
Profit for the period attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	**45,398**	16,312

	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	**—**	22,109
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,350,000**	1,372,109

The computation of diluted earnings per share for the six months ended 30 June 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 period.

8. TRADE AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**98,733**	106,725
Less: Allowance for expected credit losses	**(2,283)**	(1,858)
	96,450	104,867
Other receivables, prepayments and deposits	**51,215**	38,519
	147,665	143,386

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 dates.

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**28,893**	41,983
31–60 days	**28,931**	16,252
61–180 days	**32,084**	36,692
181–365 days	**5,474**	7,986
Over 1 year	**1,068**	1,954
	96,450	104,867

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 payments in advance to suppliers and value-added tax recoverable.

9. TRADE AND OTHER PAYABLES

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**65,922**	102,626
Accruals and other payables	**8,024**	7,441
	73,946	110,067

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

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
0–60 days	**62,117**	98,154
61–90 days	**1,528**	1,802
Over 90 days	**2,277**	2,670
	65,922	102,626

10. SHARE CAPITAL

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
Authorised:		
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	**4,500**	4,500

	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*
Authorised:		
At 1 January 2018, 31 December 2018 and 30 June 2019	**3,000,000,000**	10,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 30 June 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 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 and sales of 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 Development**") with the development plan to build an integrated and comprehensive industry park (the "**Perfect Group Jewellery Industry Park**").

In the first half of the year, for the Jewellery Business, the Group still suffered from weak buying behavior of customers in the Dubai region. The Group considered that the drop in the sales in the Dubai region was mainly due to the challenges from the global economic slowdown. The Group has tried to maintain its target to record relatively stable revenue and profit. For the Property Development business, the Group has completed the major construction work of Perfect Group Jewellery Industry Park. Starting from second half of last year, the Group has delivered the completed units to customers and leased part of the Perfect Group Jewellery Industry Park.

FINANCIAL REVIEW

Overall Revenue

The Group's revenue for the six months ended 30 June 2019 was approximately HK$302.4 million (six months ended 30 June 2018: approximately HK$182.2 million), representing an increase of approximately HK$120.2 million or 66.0% over the corresponding period of 2018. The increase in the Group's revenue was primarily due to the recognition of revenue amounting to approximately HK$129.5 million (six months ended 30 June 2018: nil) from sale of properties in the PRC which was partly offset by the decrease in revenue from Jewellery Business during the period.

The revenue of Jewellery Business and Property Development represents approximately 57.2% and 42.8% respectively of total revenue.

Jewellery Business

Revenue

The Group's revenue for Jewellery business during the six months ended 30 June 2019 was approximately HK$172.9 million (six months ended 30 June 2018: approximately HK$182.2 million), representing a decrease of approximately HK$9.3 million or 5.1% over the corresponding period of 2018. The decrease was primarily due to the decrease in sales of jewellery products in the Dubai region.

Gross profit and gross profit margin

The gross profit decreased from approximately HK$49.5 million to HK$44.5 million, representing an decrease of approximately HK$5.0 million or 10.1% which is in line with the sales of Jewellery business. The gross profit margin decreased from approximately 27.2% to 25.7%, mainly due to weak demand for Jewellery products.

Property Development

Revenue, gross Profit and gross profit margin

Revenue of approximately HK$129.5 million for the six months ended 30 June 2019 (six months ended 30 June 2018: nil) was recorded for the Property Development. The revenue from Property Development was recognised at a point in time when the customer obtains control of the respective properties. The gross profit recognised for the six months ended 30 June 2019 was approximately HK$53.3 million and gross profit margin was approximately 41.2%.

Overall gross profit and gross profit margin

Overall gross profit increased from approximately HK$49.5 million to approximately HK$97.7 million, representing an increase of approximately HK$48.2 million or 97.6%. Included in the gross profit, approximately HK$44.5 million related to Jewellery Business, representing an decrease of approximately 10.1%, and approximately HK$53.2 million related to Property Development.

Other Income

Other income comprised mostly of bank interest income of approximately HK$2,698,000 (six months ended 30 June 2018: approximately HK$405,000) received during the period due to increase in receipt of deposits on the sales of properties in the PRC. The Group also recorded a rental income of approximately HK$533,000 (six months ended 30 June 2018: nil).

Other Gains and Losses

Other gains and losses included gain on fair value changes upon transfer of properties under development for sale to investment properties amounting to approximately HK$14,770,000 (six months ended 30 June 2018: nil). Moreover, gain on fair value changes on investment properties amounting to approximately HK$579,000 during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Finance costs

The finance costs for the six months ended 30 June 2019 was approximately HK$1,567,000 (six months ended 30 June 2018: approximately HK$531,000). All of the interests charged to the profit or loss in the current period represents interest of trust receipt loan, loan interest of bank borrowing in the PRC and interest on lease liabilities. In the corresponding period, finance costs mainly included interest of trust receipt loan.

Selling and Distribution Costs

The selling and distribution costs for the six months ended 30 June 2019 was relatively stable, which only increased slightly from approximately HK$8.2 million to approximately HK$8.6 million, representing an increase of approximately 4.9%, as compared with corresponding period in 2018.

General and Administrative Expenses

The general and administrative expenses for the six months ended 30 June 2019 was approximately HK$27.0 million (six months ended 30 June 2018: approximately HK$22.2 million), representing an increase of approximately HK$4.8 million or 21.6% over the corresponding period of 2018. The increase in general and administrative expenses was mainly attributable to the salaries paid in the PRC for the Property Development of approximately HK$4.70 million (six months ended 30 June 2018: nil).

Profit for the Period

As a result of the above factors, profit for the six months ended 30 June 2019 was approximately HK$57.7 million (six months ended 30 June 2018: approximately HK$16.0 million), representing an increase of approximately 261.1%.

Liquidity and financial resources

As at 30 June 2019, the Group had current assets of approximately HK$1,023.3 million (as at 31 December 2018: approximately HK$908.2 million) which comprised of bank balances and cash of approximately HK$294.6 million (as at 31 December 2018: approximately HK$218.1 million) and properties under development for sale of approximately HK$363.5 million as at 30 June 2019 (as at 31 December 2018: approximately HK$257.4 million). As at 30 June 2019, the current liabilities amounted to approximately HK$613.0 million (as at 31 December 2018: approximately HK$363.6 million). The significant increase is because of contract liabilities which is receipt in advance from customers. The current ratio, being the ratio of current assets to current liabilities, was approximately 1.67 as at 30 June 2019 (as at 31 December 2018: 2.50).

The financial resources for the operation of the Group were mainly derived from the cash inflows from operating activities. Taking into consideration the existing financial arrangements of the Group, the Directors believe that the Group has adequate working capital to support its operations and development requirements.

Gearing ratio

Based on total borrowings divided by equity, the gearing ratio was approximately 9.3% (as at 31 December 2018: 28.1%).

Charge of assets

There was charge on the Group's asset as at 31 December 2018 amounting to approximately HK$166.9 million (as at 31 December 2018: approximately HK$152.1 million).

Capital commitments

The Group had capital commitments of approximately HK$273.6 million as at 30 June 2019 (as at 31 December 2018: approximately HK$380.9 million), which are mainly related to the construction of Perfect Group Jewellery Industry Park.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2019 (as at 31 December 2018: nil).

Employee and remuneration policy

As at 30 June 2019, the Group had approximately 134 employees (six month ended 30 June 2018: 263 employees) in Hong Kong and the PRC. The total salaries and related costs for the six months ended 30 June 2019 amounted to approximately HK$17.3 million (six months ended 30 June 2018: HK$21.8 million). During the six months ended 30 June 2019, the staff salary and related costs, other than the Directors' remuneration, was HK$11.1 million (six months ended 30 June 2018: HK$12.5 million). The main reason for the decrease was because during the six months ended 30 June 2018, the factory in Dongguan was closed and hence the number of manufacturing staff decreased. On the other hand, the Group recognised share-based payment expense of HK$1.4 million during the six months ended 30 June 2019 (six month ended 30 June 2018: HK$4.2 million).

The Group offered competitive remuneration package as an incentive to staff for improvement. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development, the award of which is based on their individual performances. On 31 May 2017, 13,494,000 options were granted. 6,747,000 share options are exercisable commencing from 31 May 2018 to 30 May 2023 (both dates inclusive) while the remaining 6,747,000 share options are exercisable from 31 May 2019 to 30 May 2024 (both dates inclusive). During the period ended 30 June 2019, 60,000 share options were lapsed (six months ended 30 June 2018: 2,160,000 share options were lapsed).

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experience and professional qualifications and the prevailing market conditions and rates.

Future plans and prospects

The Group has started to explore the general trading business of jewellery related products in the PRC by investing RMB950,000 in a 19% equity interest associated company in Shenzhen. The associated company is still at the infancy state of development. The Group hopes that through this associated company the Group could be more active in the participation in the PRC jewellery business in the PRC.

The management company of the Group has also started to provide managerial services to the occupants of the Perfect Group Jewellery Industry Park. The renting out of the unsold part of Perfect Group Jewellery Industry Park has also started.

The Group has also suffered from the effect from US and China trade war spat which may continue to have an impact on the jewellery business in the second half of the year.

Interim dividend

The Board, after considering the liquidity position and operation of the Group, resolved to declare an interim dividend of HK$0.01 per share, totaling HK$13,500,000 for the six months ended 30 June 2019 (For the six months ended 30 June 2018: HK$0.01) payable on Tuesday, 17 September 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 6 September 2019.

Closure of register of members

For determining the entitlement of the shareholders to the interim dividend, the register of members of the Company will be closed from Wednesday, 4 September 2019 to Friday, 6 September 2019 (both days inclusive), during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Tuesday, 3 September 2019.

Use of proceeds from global offering

The Company has received net proceeds of approximately HK$76.5 million after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 4 January 2016. On 28 November 2016, the Board resolved to change the proposed use of proceeds from that originally set out in the prospects for the global offering. Details of this are set out in the announcement of the Company dated 28 November 2016. As at 30 June 2019, approximately HK$73.9 million of the net proceeds has been used by the Group. The unutilised proceeds were deposited with the licensed bank in Hong Kong. Set out below is a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the utilisation of the net proceeds:

Uses	**Original allocation**	**Revised allocation**	**Utilisation as at 30 June 2019**	**Remaining balance as at 30 June 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Expanding the Middle East and European high-end markets	28,700	7,700	7,700	–
Upgrading the existing production facilities and hiring and training additional labour	25,179	1,839	1,839	–
Brand development	16,837	16,837	16,837	–
Enhancing the CRM system	3,597	3,597	967	2,630
Additional working capital and other general corporate purposes	2,220	2,220	2,220	–
Establishing the headquarter in the PRC and developing the PRC market	–	44,340	44,340	–
Total	76,533	76,533	73,903	2,630

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 2019, 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 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 its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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. Li Cheuk Wai 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 2019.

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 2019 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, 19 August 2019

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.