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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020 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 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	2	366,927	787,207
Cost of goods sold		(214,548)	(492,843)
Gross profit		152,379	294,364
Other income		13,950	10,474
Other gains and losses		5,481	37,102
Selling and distribution costs		(6,803)	(16,463)
General and administrative expenses		(41,959)	(55,573)
Finance costs		(1,295)	(3,534)
Share of result of an associate		(77)	(174)
Profit before taxation	3	121,676	266,196
Taxation	4	(45,186)	(83,545)
Profit for the year		76,490	182,651

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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		21,560	13,273
— Deferred taxation		(5,390)	(3,318)
		<u>16,170</u>	<u>9,955</u>
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>26,559</u>	<u>(9,608)</u>
Other comprehensive income for the year		<u>42,729</u>	<u>347</u>
Total comprehensive income for the year		<u>119,219</u>	<u>182,998</u>
Profit (loss) for the year attributable to:			
Owners of the Company		76,527	171,017
Non-controlling interests		(37)	11,634
		<u>76,490</u>	<u>182,651</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		119,253	171,970
Non-controlling interests		(34)	11,028
		<u>119,219</u>	<u>182,998</u>
Earnings per share	6		
— Basic		<u>5.67 HK cents</u>	<u>12.67 HK cents</u>
— Diluted		<u>5.67 HK cents</u>	<u>12.67 HK cents</u>

Consolidated Statement of Financial Position

At 31 December 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		79,864	110,338
Right-of-use assets		14,226	26,728
Investment properties		220,795	119,905
Interest in an associate		865	888
Rental deposits		251	273
Deferred tax assets		406	353
		316,407	258,485
Current assets			
Inventories		161,719	186,383
Properties held for sale		206,521	322,849
Trade and other receivables	7	72,377	130,893
Loan receivable from an associate		13,718	17,328
Derivative financial instruments		1,023	—
Bank balances and cash		81,201	173,781
		536,559	831,234
Current liabilities			
Trade and other payables	8	51,007	127,837
Contract liabilities		77,709	258,884
Lease liabilities		4,055	8,129
Taxation payable		40,445	64,577
Bank loans — amount due within one year		—	49,259
		173,216	508,686
Net current assets		363,343	322,548
Total assets less current liabilities		679,750	581,033

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		3,701	7,428
Provision for long service payments		898	898
Deferred tax liabilities		23,518	13,293
		<u>28,117</u>	<u>21,619</u>
Net assets		<u>651,633</u>	<u>559,414</u>
Share capital and reserve			
Share capital	9	4,500	4,500
Reserves		647,102	554,849
Equity attributable to owners of the Company		651,602	559,349
Non-controlling interests		31	65
		<u>651,633</u>	<u>559,414</u>

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”).

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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.

New and amendments to HKFRSs in issue

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

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

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

⁵ Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of all 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 business represents the investment in and development and sales of properties for the Group’s integrated and comprehensive industry park project (“**Property business**”).

In the current year, the Group reorganised its internal reporting structure and have combined the Group's property investment business together with its property development business, as one single Property business segment. Prior year segment disclosures have been represented to conform with current year's presentation.

(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 2020

	Manufacturing and sales of jewellery products HK\$'000	Property business HK\$'000	Consolidated HK\$'000
Segment revenue			
External sales	<u>141,826</u>	<u>225,101</u>	<u>366,927</u>
Segment results	<u>3,227</u>	<u>119,874</u>	123,101
Impairment loss recognised on trade receivables			(8,473)
Gain from fair value changes upon transfer of properties held for sale to investment properties			16,144
Loss from fair value changes of investment properties			(2,252)
Unallocated corporate income			351
Unallocated corporate expenses			(6,751)
Unallocated finance costs			(367)
Share of result of an associate			(77)
Profit before taxation			<u>121,676</u>

For the year ended 31 December 2019

	Manufacturing and sales of jewellery products <i>HK\$'000</i>	Property business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
External sales	<u>321,274</u>	<u>465,933</u>	<u>787,207</u>
Segment results	<u>47,905</u>	<u>196,871</u>	244,776
Impairment loss recognised on trade receivables			(1,426)
Gain from fair value changes upon transfer of properties held for sale to investment properties			36,522
Gain from fair value changes of investment properties			905
Unallocated corporate expenses			(13,170)
Unallocated finance costs			(1,237)
Share of result of an associate			<u>(174)</u>
Profit before taxation			<u>266,196</u>

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 2020

	Manufacturing and sales of jewellery products HK\$'000	Property business HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	285,956	561,941	847,897
Interest in an associate			865
Deferred tax assets			406
Unallocated corporate assets			3,798
			<hr/>
Consolidated total assets			852,966
			<hr/> <hr/>
Liabilities			
Segment liabilities	27,585	107,341	134,926
Taxation payable			42,185
Deferred tax liabilities			23,518
Unallocated corporate liabilities			704
			<hr/>
Consolidated total liabilities			201,333
			<hr/> <hr/>

At 31 December 2019

	Manufacturing and sales of jewellery products <i>HK\$'000</i>	Property business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	348,879	735,585	1,084,464
Interest in an associate			888
Deferred tax assets			353
Unallocated corporate assets			<u>4,014</u>
Consolidated total assets			<u><u>1,089,719</u></u>
Liabilities			
Segment liabilities	61,302	390,295	451,597
Taxation payable			64,577
Deferred tax liabilities			13,293
Unallocated corporate liabilities			<u>838</u>
Consolidated total liabilities			<u><u>530,305</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.

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
— Hong Kong	76,019	207,507
— Dubai	40,066	107,384
— The PRC	250,842	472,316
	<u>366,927</u>	<u>787,207</u>

Revenue from one major customer which accounts for 10% or more of the Group's revenue is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<u>52,100</u>	<u>N/A*</u>

* Revenue from the customer is less than 10% of the total revenue of the Group during the year.

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,094	544
The PRC	313,973	256,539
Dubai	69	161
	<u>315,136</u>	<u>257,244</u>

3. PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment		
— cost of goods sold	211	260
— general and administrative expenses	2,542	2,771
— selling and distribution costs	24	24
	<u>2,777</u>	<u>3,055</u>
Depreciation of right-of-use assets	<u>8,144</u>	<u>8,285</u>
Total depreciation	<u>10,921</u>	<u>11,340</u>
Directors' remuneration	6,852	8,489
Other staff's salaries and other benefits	15,343	21,536
Other staff's equity-settled share-based payment	—	1,116
Other staff's retirement benefits scheme contributions	969	1,219
Total staff costs	<u>23,164</u>	<u>32,360</u>
Auditor's remuneration	1,040	1,265
Cost of inventories recognised as expenses (included in cost of goods sold)	<u>214,337</u>	<u>492,583</u>

4. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits Tax		
— Current year	—	2,681
— Overprovision in prior year	(797)	—
PRC Enterprise Income Tax ("EIT")		
— Current year	24,528	44,648
PRC Land Appreciation Tax ("LAT")	18,035	26,927
	<u>41,766</u>	<u>74,256</u>
Deferred tax charge	<u>3,420</u>	<u>9,289</u>
	<u>45,186</u>	<u>83,545</u>

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

	2020	2019
	HK\$’000	HK\$’000
Dividends recognised as distribution during the year:		
Interim dividend for 2020 of Nil (2019: HK\$0.01) per share	—	13,500
Final dividend for 2019 of HK\$0.02 (2018: HK\$0.01) per share	27,000	13,500
Special dividend of Nil (2019: HK\$0.02) per share	—	27,000
	<u>27,000</u>	<u>54,000</u>

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 2020, payable to the shareholders whose names appear on the Company’s register of members on 16 June 2021.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	<u>76,527</u>	<u>171,017</u>
	Number of shares '000	'000
Weighted average number of ordinary shares for the purpose of calculating both 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 year ended 31 December 2020 and 31 December 2019 does not assume the exercise of the Company's options because the exercise price of those options was significantly higher than the average market price of the shares for the year.

7. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	61,443	94,259
Less: Allowance for expected credit losses	<u>(10,190)</u>	<u>(1,717)</u>
	51,253	92,542
Other receivables, prepayments and deposits	<u>21,124</u>	<u>38,351</u>
	<u>72,377</u>	<u>130,893</u>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	21,364	38,575
31–60 days	13,143	16,502
61–180 days	11,971	33,321
181–365 days	2,694	3,864
Over 1 year	2,081	280
	<u>51,253</u>	<u>92,542</u>

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 of directors has delegated management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	31,705	113,275
Accruals and other payables	<u>19,302</u>	<u>14,562</u>
	<u>51,007</u>	<u>127,837</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–60 days	21,815	103,843
61–90 days	—	2,904
Over 90 days	<u>9,890</u>	<u>6,528</u>
	<u>31,705</u>	<u>113,275</u>

9. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
3,000,000,000 ordinary shares of one third Hong Kong cent each (2019: 3,000,000,000 ordinary shares of one third Hong Kong cent each)	<u><u>10,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid:		
1,350,000,000 ordinary shares of one third Hong Kong cent each (2019: 1,350,000,000 ordinary shares of one third Hong Kong cent each)	<u><u>4,500</u></u>	<u><u>4,500</u></u>

The movements in the Company's share capital for the years ended 31 December 2019 and 2020 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	<u><u>3,000,000,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	<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 review, 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 investment in and 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 Business**”) as an integrated and comprehensive industry park (the “**Perfect Group Jewellery Industry Park**”).

Jewellery Business

Throughout the year ended 31 December 2020, the Group suffered from the weak buying behavior of the customers in the Dubai region and the impact of the outbreak of the 2019 novel coronavirus (“**Covid-19**”). Most of the shows, fairs, and exhibitions normally held during the year were either cancelled or postponed. The quarantine and travel measures imposed by worldwide countries restricted the visits of our sales staff to customers. In response to this, the Group has implemented stringent control over costs. This policy will continue in the coming months to cater to these adverse business circumstances.

The Group has started off after the year-end in the wholesale supply chain business of the jewellery and related products in internet marketing in the PRC by forming a 60% owned company in the PRC. The registered capital of the Company is RMB 5 million and the Group will contribute RMB 3 million. The Group will utilise the experience of other partners to expand the jewellery business in the PRC market. Further details of the business can be found in the announcement of the Company dated 4 March 2021.

Property Business

The construction work on the Perfect Group Jewellery Industry Park has already been fully completed. Pursuant to the Group’s accounting policy, revenue is recognised at a point in time when the customer obtains control of the property and the Group has the present right to payment and consideration is probable. Since the second half of 2018, the Group has started to deliver the completed units in the Perfect Group Jewellery Industry Park to customers and revenue is recorded in accordance with the adopted accounting policy. The Group has sold almost all of the units that the Group intended to sell. The Group will sell the remaining units once necessary approval is obtained.

The Group has also leased out part of the units in the Perfect Group Jewellery Industry Park. 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. These two operations will continue to provide a stable rental and management fee income to the Group.

Financial review

Overall Revenue

The Group's revenue for the year ended 31 December 2020 was approximately HK\$366.9 million (for the year ended 31 December 2019: approximately HK\$787.2 million), representing a significant decrease of approximately HK\$420.3 million or 53.4% from the corresponding year of 2019. The significant decrease in the Group's revenue was primarily due to the decrease in recognition of revenue from sale of properties in the PRC as a significant number of units were sold and recognised as revenue in the year ended 31 December 2019. Moreover, due to Covid-19, revenue from the Jewellery Business also decreased, which reflected the downward trend experienced in the first half of 2020 continued to impact the second half of 2020 as expected.

The revenue of Jewellery Business and Property Business represents approximately 38.7% and 61.3% respectively of total revenue for the year ended 31 December 2020.

Jewellery Business

Revenue

The Group's revenue for the Jewellery Business during the year ended 31 December 2020 was approximately HK\$141.8 million (for the year ended 31 December 2019: approximately HK\$321.3 million), representing a significant decrease of approximately HK\$179.5 million or 55.9% over the corresponding year of 2019.

The sales to Hong Kong and Dubai decreased significantly at approximately HK\$76.0 million (for the year ended 31 December 2019: approximately HK\$207.5 million) and approximately HK\$40.1 million (for the year ended 31 December 2019: approximately HK\$107.4 million), respectively, representing a decrease of 63.4% and decrease of 62.7%. The sales to the PRC was approximately HK\$25.7 million (for the year ended 31 December 2019: approximately HK\$6.4 million), representing an increase of approximately HK\$19.3 million, or 301.6%, over the corresponding year of 2019. The significant increase in the sales to the PRC was mainly due to the Group's continuous development of the wholesale jewellery market in the PRC.

Gross profit and gross profit margin

The gross profit decreased significantly from approximately HK\$85.6 million for the year ended 31 December 2019 to approximately HK\$28.5 million for the year ended 31 December 2020, representing a decrease of approximately HK\$57.1 million, or 66.7%, which is in line with the sales generated from Jewellery Business. The gross profit margin was approximately 23.7% in the Hong Kong and Dubai Region which was decreased when comparing with the corresponding year of 2019 (for the year ended 31 December 2019: approximately 26.6%). However, the overall gross profit margin was dragged down as during the year ended 31 December 2020 the PRC market constituted a greater portion of the revenue for the Jewellery Business and their gross profit margin was significantly lower as the Group was at the stage of exploring the market.

Property Business

Revenue, gross profit and gross profit margin

Revenue for the year ended 31 December 2020 was approximately HK\$225.1 million (as at 31 December 2019: approximately HK\$465.9 million) was recorded for the year ended 31 December 2020 for the Property Business. The significant decrease in revenue was mainly due to the decrease in number of units of properties delivered to customers as a significant number of units were sold and recognised as review in the year ended 31 December 2019. The gross profit recognised for the year ended 31 December 2020 was approximately HK\$123.9 million (for the year ended 31 December 2019: approximately HK\$208.8 million) and the gross profit margin was approximately 54.9% (for the year ended 31 December 2019: approximately 44.8%). The main reason for the increase in gross profit margin was mainly slight increase in selling price and lowering in estimated construction cost in 2019.

Overall gross profit and gross profit margin

Overall gross profit decreased significantly from approximately HK\$294.4 million for the year ended 31 December 2019 to approximately HK\$152.4 million for the year ended 31 December 2020, representing a significant decrease of approximately HK\$142.0 million, or 48.2%. Included in the gross profit was, approximately HK\$28.5 million related to the Jewellery Business, representing a decrease of approximately HK\$57.1 million or 66.7%, and approximately HK\$123.9 million related to Property Business for the year ended 31 December 2020, representing a significant decrease of approximately HK\$84.9 million, or 40.7% as compared to the corresponding year ended 31 December 2019.

Other income

Other income increased from approximately HK\$10.5 million for the year ended 31 December 2019 to approximately HK\$14.0 million for the year ended 31 December 2020, an increase of approximately HK\$3.5 million or 33.3%. The increase was mainly due to the increase of rental income and government grants of approximately HK\$1.7 million (for the year ended 31 December 2019: Nil) in respect of Covid-19 related subsidies provided under the Employment Support Scheme of the HKSAR government.

Other gains and losses

Other gains and losses mainly include gain from fair value changes upon transfer of properties held for sale to investment properties of approximately HK\$16.1 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$36.5 million) offset by the impairment provision on trade receivables of approximately HK\$8.5 million (for the year ended 31 December 2019: approximately HK\$1.4 million).

Finance costs

Finance costs of approximately HK\$1.3 million for the year ended 31 December 2020 (for the year ended 31 December 2019: approximately HK\$3.5 million) related to interests on the bank loans for the operation of the Jewellery Business and the Property Business.

Selling and distribution costs

The decrease in selling and distribution costs from approximately HK\$16.5 million for the year ended 31 December 2019 to approximately HK\$6.8 million for the year ended 31 December 2020, representing a decrease of approximately HK\$9.7 million, or 58.8%. This mainly due to the decrease in show expenses amounting to approximately HK\$5.8 million as jewellery shows, fairs and exhibitions normally held during the year were either cancelled or postponed and, travelling, customs and declaration expenses amounting to approximately HK\$2.8 million.

General and administrative expenses

The decrease in general and administrative expenses from approximately HK\$55.6 million for the year ended 31 December 2019 to approximately HK\$42.0 million for the year ended 31 December 2020, representing a decrease of HK\$13.6 million, or 24.5%, was mainly due to the decrease in salaries of approximately HK\$7.0 million for the year ended 31 December 2020 as a result of reduction in salaries for both staff and Directors.

Profit for the year

As a result of the above factors, profit after taxation for the year ended 31 December 2020 was approximately HK\$76.5 million (as at 31 December 2019: approximately HK\$182.7 million), representing a decrease of approximately HK\$106.2 million or approximately 58.1% over the corresponding year of 2019.

Financial position

Non-current Assets

Property, plant and equipment as at 31 December 2020 of approximately HK\$79.9 million (as at 31 December 2019: approximately HK\$110.3 million) mainly represents leasehold land and buildings of approximately HK\$77.1 million (as at 31 December 2019: HK\$107.2 million) and plant and machinery, furniture and fixtures and motor vehicles of approximately HK\$2.8 million (2019: approximately HK\$3.2 million). The drop in balance in leasehold land and buildings was mainly due to the transfer of leasehold land and buildings of approximately HK\$34.2 million to investment properties during the year.

The Group has also changed the use of certain property of approximately HK\$90.4 million (as at 31 December 2019: approximately HK\$111.7 million) from leasehold land and buildings to investment properties for leasing to independent third parties for the year ended 31 December 2020.

Current assets

Current assets as at 31 December 2020 decreased by approximately HK\$294.7 million, or 35.4%, to approximately HK\$536.6 million (as at 31 December 2019: approximately HK\$831.2 million). The decrease was mainly attributable to the transfer of properties held for sale to cost of properties sold. Inventory of approximately HK\$161.7 million (as at 31 December 2019: approximately HK\$186.4 million) is mainly comprised of raw materials, work in progress and finished goods. The major reasons for the decrease of bank balances and cash to approximately HK\$81.2 million (as at 31 December 2019: approximately HK\$173.8 million) were the results of cash generated from operation amounting to approximately HK\$48.8 million, payment of tax amounting to approximately HK\$68.0 million, repayment of bank loans of approximately HK\$51.6 million and payment of dividend of approximately HK\$27.0 million.

Current liabilities

Current liabilities decreased by approximately HK\$335.5 million or 66.0%, to approximately HK\$173.2 million (as at 31 December 2019: approximately HK\$508.7 million).

Trade and other payables which amounted to approximately HK\$51.0 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$127.8 million) comprised of trade payables of approximately HK\$31.7 million (as at 31 December 2019: approximately HK\$113.3 million) and accruals and other payables of approximately HK\$19.3 million (as at 31 December 2019: approximately HK\$14.6 million). Accruals and other payables mainly consist of payable of staff salaries and benefits and provision for certain construction obligations. Trade payables decreased from approximately HK\$113.3 million for the year ended 31 December 2019 to approximately HK\$31.7 million as at 31 December 2020 mainly due to decrease in construction costs in line with reducing in level of activities during 2020.

Included in contract liabilities was mainly the deposit received from customers of properties in the PRC, amounted to approximately HK\$75.4 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$256.7 million). The main reason for the decrease of contract liabilities is because of the transfer of control of the completed properties to the customers.

Liquidity and financial resources

As at 31 December 2020, the Group had current assets of approximately HK\$536.6 million (as at 31 December 2019: approximately HK\$831.2 million) and current liabilities amounted to approximately HK\$173.2 million (as at 31 December 2019: approximately HK\$508.7 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 3.2 as at 31 December 2020 (as at 31 December 2019: approximately 1.6).

Gearing ratio

Based on total borrowings divided by equity, the gearing ratio was Nil (as at 31 December 2019: approximately 8.8%).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: Nil).

Charge on assets

No Group's assets was charged as at 31 December 2020 (as at 31 December 2019: approximately HK\$237.8 million).

Capital commitments

As at 31 December 2020, the Group did not have significant commitments contracted for but not provided in the consolidated financial statements (as at 31 December 2019: Nil).

Employee and remuneration policy

As at 31 December 2020, the Group had approximately 115 employees (as at 31 December 2019: approximately 133 employees) in Hong Kong and the PRC. The total salaries and related costs for the year ended 31 December 2020 amounted to approximately HK\$23.2 million (for the year ended 2019: approximately HK\$32.4 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 did not declare any interim dividend for the six months ended 30 June 2020 (2019: HK\$0.01 was declared and subsequently paid on 17 September 2019).

The Directors propose the payment of HK\$0.02 (as at 31 December 2019: HK\$0.02) per share as the final dividend for the year ended 31 December 2020.

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 and transfer office, 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 Thursday, 10 June 2021. The register of members of the Company will be closed from Friday, 11 June 2021 to Wednesday, 16 June 2021, 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 Tuesday, 22 June 2021 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 16 June 2021.

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 2020.

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 2020.

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. Lee Ka Wing and Mr. Wong Wai Keung Frederick as at the date of this announcement. 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 2020.

Scope of work of the auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2020 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 2020 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, 29 March 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.