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 2018

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 2018 together with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**182,169**	178,951
Cost of goods sold		**(132,624)**	(121,514)*
Gross profit		**49,545**	57,437*
Other income		**758**	333
Other gains and losses		**(470)**	(1,314)
Selling and distribution costs		**(8,170)**	(8,023)
General and administrative expenses		**(22,247)**	(18,365)
Finance costs		**(531)**	(534)
Profit before taxation	4	**18,885**	29,534
Taxation	5	**(2,903)**	(3,493)
Profit for the period		**15,982**	26,041

	NOTE	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Unaudited)
Other comprehensive (expense) income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,202)**	3,987
Total comprehensive income for the period		**12,780**	30,028
Profit (loss) for the period attributable to:			
Owners of the Company		**16,312**	26,328
Non-controlling interests		**(330)**	(287)
		15,982	26,041
Total comprehensive income (expense) attributable to:			
Owners of the Company		**14,015**	29,119
Non-controlling interests		**(1,235)**	909
		12,780	30,028
			(Restated)
Earnings per share	7		
– Basic		**1.21 HK cents**	1.95 HK cents
– Diluted		**1.19 HK cents**	1.95 HK cents

* Included therein was a reversal of provision of staff benefits for previous years amounting to approximately HK$6,977,000. The cost of sales and gross profits after excluding this reversal would be approximately HK$128,491,000 and HK$50,460,000 respectively and the gross profit margin would be approximately 28.2%.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**At 30 June 2018** *HK$'000* **(Unaudited)**	At 31 December 2017 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**71,619**	28,984
Prepaid lease payments		**16,504**	16,890
Deposits		**752**	4,121
Deferred tax assets		**48**	–
		88,923	49,995
Current assets			
Inventories		**175,656**	179,956
Properties under development for sale		**301,148**	186,397
Prepaid lease payments		**346**	351
Trade and other receivables	8	**156,713**	110,627
Bank balances and cash		**145,891**	59,476
		779,754	536,807
Current liabilities			
Trade and other payables	9	**25,803**	29,139
Contract liabilities		**87,672**	–
Taxation payable		**12,332**	9,875
Bank loans		**27,939**	25,580
		153,746	64,594
Net current assets		**626,008**	472,213
Total assets less current liabilities		**714,931**	522,208

	NOTE	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Non-current liabilities			
Provision for long service payments		**1,142**	1,177
Deferred tax liabilities		**–**	83
Bank loans		**189,555**	–
		190,697	1,260
Net assets		**524,234**	520,948
Share capital and reserves			
Share capital	10	**4,500**	4,500
Reserves		**448,835**	444,314
Equity attributable to owners of the Company		**453,335**	448,814
Non-controlling interests		**70,899**	72,134
Total equity		**524,234**	520,948

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.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, a number of new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group recognises revenue from the following major sources:

- manufacturing and sales of jewellery products
- property development

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The adoption of HKFRS 15 in the current interim period, which results in a change in accounting policy on revenue recognition, has no material impact on the timing and amounts of revenue recognised in the current interim period.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A point in time revenue recognition: measurement of complete satisfaction of a performance obligation

Under the transfer-of-control approach in HKFRS 15, revenue from sales of jewellery product is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the product and obtain substantially all of the remaining benefits of the product.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2017	**Impacts of adopting HKFRS 15**	**Carrying amounts under at HKFRS 15 1 January 2018***
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)		
Trade and other payables	29,139	(454)	28,685
Contract liabilities	–	454	454

As at 1 January 2018, advances from customers of HK$454,000 in respect of sales contracts previously included in trade and other payables were reclassified to contract liabilities.

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 *"Financial Instruments"* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *"Financial Instruments: Recognition and Measurement"*.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of HKFRS 9 in the current interim period has no material impact on the classification and measurement of the Group's financial assets.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9, including trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for each debtor.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure of default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables and bank balances, and are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$148,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables.

All loss allowances for trade receivables as at 31 December 2017 reconcile to the opening balances of trade receivables as at 1 January 2018 is as follows:

	Trade receivables *HK$'000*
At 31 December 2017 (audited)	
– HKAS 39	89,091
Amounts remeasured through opening retained profits	(148)
At 1 January 2018 (unaudited)	88,943

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 *HK$'000* (Audited)	**HKFRS 15** *HK$'000*	**HKFRS 9** *HK$'000*	**1 January 2018** *HK$'000* (Restated)
Contract liabilities	–	(454)	–	(454)
Trade and other receivables	110,627	–	(148)	110,479
Trade and other payables	(29,139)	454	–	(28,685)
Retained profits	(340,879)	–	148	(340,731)

3. REVENUE AND SEGMENT INFORMATION

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

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 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**

For the six months ended 30 June 2017 (unaudited)

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Segment revenue			
External sales	178,951	–	178,951
Segment results	35,138	(957)	34,181
Unallocated corporate income			91
Unallocated corporate expenses			(4,204)
Finance costs			(534)
Profit before taxation			29,534

Segment result represents 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 and finance costs). 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 2018 (unaudited)

	Manufacturing and sales of jewellery products *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
Assets			
Segment assets	**334,297**	**516,868**	**851,165**
Deferred tax assets			**48**
Unallocated corporate assets			**17,464**
Consolidated assets			**868,677**
Liabilities			
Segment liabilities	**50,517**	**280,891**	**331,408**
Taxation payable			**12,332**
Unallocated corporate liabilities			**703**
Consolidated liabilities			**344,443**

At 31 December 2017 (audited)

	Manufacturing and sales of jewellery products *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	319,767	245,435	565,202
Unallocated corporate assets			21,600
Consolidated assets			586,802
Liabilities			
Segment liabilities	49,563	5,441	55,004
Taxation payable			9,875
Deferred tax liabilities			83
Unallocated corporate liabilities			892
Consolidated liabilities			65,854

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

– all assets are allocated to operating segments other than deferred tax assets and unallocated corporate assets.

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

Entity-wide information

An analysis of the Group's revenue by product types is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of		
– Rings	**60,795**	58,730
– Earrings	**48,850**	50,063
– Pendants	**20,495**	20,183
– Bangles	**20,606**	21,921
– Necklaces	**12,979**	12,942
– Bracelets	**18,444**	15,112
	182,169	178,951

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
– Hong Kong	**107,890**	105,379
– Dubai	**73,470**	73,572
– People's Republic of China ("PRC")	**809**	–
	182,169	178,951

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

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**2,029**	2,803
PRC	**86,446**	46,713
Dubai	**400**	479
	88,875	49,995

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation		
– cost of sales	**308**	410
– general and administrative expenses	**980**	834
Total depreciation	**1,288**	1,244
Directors' remuneration		
– fee	**1,256**	1,256
– salaries and other benefits	**2,342**	2,450
– equity-settled share option expense	**895**	159
– retirement benefit scheme contributions	**27**	27
	4,520	3,892
Other staff's salaries and other benefits *(note)*	**12,527**	6,276
Other staff's equity-settled share option expense	**3,259**	673
Other staff's retirement benefits scheme contributions	**1,505**	1,112
Total staff costs	**21,811**	11,953
Auditor's remuneration	**600**	600
Cost of inventories recognised as expenses (included in cost of goods sold)	**132,624**	128,491
Operating lease rentals in respect of rented premises	**2,884**	3,142

Note: During the six months ended 30 June 2017, provision on staff benefits for previous years included in accruals and other payables amounting Renminbi ("RMB") 6,067,000 (equivalent to approximately HK$6,977,000) had been reversed as the directors of the Company considered that crystallisation of such provision as a liability was remote.

5. TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current period	**2,331**	2,412
PRC Enterprise Income Tax ("EIT")		
– Current period	**703**	177
	3,034	2,589
Deferred tax (credit) charge	**(131)**	904
	2,903	3,493

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The Group is engaged in manufacturing of fine jewellery products through a processing factories in the PRC under contract processing arrangements. 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 are subject to PRC EIT at a rate of 25% on the deemed profit generated in PRC.

6. DIVIDEND

A final dividend of HK$0.01 per share, totalling HK$13,500,000 for the year ended 31 December 2017 was paid on 20 June 2018 to the shareholders of the Company whose names appeared on the register of members of the Company on 8 June 2018.

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 2018 (six months ended 30 June 2017: HK$0.01 per share totalling HK$13,500,000). The interim dividend is payable on 21 September 2018 to the shareholders of the Company whose names appear on the register of members of the Company on 7 September 2018.

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 2018	At 30 June 2017
	HK$'000	*HK$'000*
	(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	**16,312**	26,328
	Number of shares	
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note)*	**1,350,000**	1,350,000
Effect of dilutive potential ordinary shares:		
Share-based payments	**22,109**	951
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,372,109**	1,350,951

Note: Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 12 September 2017, every one issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one third Hong Kong cent each (the "Share Subdivision"). The Share Subdivision became effective on 13 September 2017.

The weighted average number ordinary shares for the purpose of basic earnings per share has been adjusted for the Share Subdivision on 13 September 2017.

8. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**108,331**	89,091
Less: Allowance for doubtful debts	**(1,819)**	(887)
	106,512	88,204
Other receivables, prepayments and deposits	**50,201**	22,423
	156,713	110,627

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**24,866**	27,052
31 – 60 days	**30,832**	14,153
61 – 180 days	**44,096**	40,213
181 – 365 days	**6,516**	5,255
Over 1 year	**202**	1,531
	106,512	88,204

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.

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 the management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 49% (31 December 2017: 41%) of the trade receivables as at 30 June 2018 are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

The Group's management takes into consideration of customers' credit history, settlement patterns, subsequent settlements 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.

9. TRADE AND OTHER PAYABLES

	At 30 June 2018 *HK$'000* (Unaudited)	At 31 December 2017 *HK$'000* (Audited)
Trade payables	**16,914**	15,202
Accruals and other payables	**8,889**	13,937
	25,803	29,139

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

	At 30 June 2018 *HK$'000* (Unaudited)	At 31 December 2017 *HK$'000* (Audited)
0 – 60 days	**12,611**	12,570
61 – 90 days	**1,364**	1,508
Over 90 days	**2,939**	1,124
	16,914	15,202

10. SHARE CAPITAL

	At 30 June 2018 *HK$'000* (Unaudited)	At 31 December 2017 *HK$'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 2017	**1,000,000,000**	10,000
Effect of Share Subdivision *(note)*	**2,000,000,000**	–
At 31 December 2017 and 30 June 2018	**3,000,000,000**	10,000
Issued and fully paid:		
At 1 January 2017	**450,000,000**	4,500
Effect of Share Subdivision *(note)*	**900,000,000**	–
At 31 December 2017 and 30 June 2018	**1,350,000,000**	4,500

Note: Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 12 September 2017, every one issued and unissued existing ordinary share of HK$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one third Hong Kong cent each. The Share Subdivision became effective on 13 September 2017.

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). The Group positions its products to target the high-end segment of the fine jewellery market by average wholesale price.

In the first half of the year, sales has stabilised with an improvement compared with the corresponding period of the last year. The Group has participated in some jewellery fairs, international and regional jewellery trade exhibitions and expositions in January, March and June 2018 and received promising responses from the customers. The Group believes that the jewellery business will continue to be stable and may improve in the second half of the current year.

On 15 February 2017, the Group through a 70%-owned PRC subsidiary acquired a land use right of a parcel of land located at 1st Ring Road South Extension Foshan East and south of Lunjiao Dachong River, Lunjiao Shilong Industrial Zone, Shunde District, Foshan, Guangdong Province, the PRC to relocate the processing factory of the Group in Dongguan City. In September 2017, the development plan was revised from a design for own-use factory to an integrated and comprehensive industry park (the "**Perfect Group Jewellery Industry Park**") to relocate the processing factory in Dongguan as previously scheduled as well as to enable the Group to sell a portion of the factory space and portion of the ancillary facilities at the park.

The construction work for the Perfect Group Jewellery Industry Park is progressing as scheduled. In January 2018, the Group held the topping-up ceremony for the Perfect Tower, the head-quarter of the Group in PRC, inside the Perfect Group Jewellery Industry Park. The relocation process of Perfect Factory was completed on 5 June 2018 as previously planned. The construction work for Perfect Expo, the exhibition building inside the Perfect Group Jewellery Industry Park, is progressing as scheduled and is expected to complete in the current year.

In January 2018, the Group obtained sales permit for the sale of the Perfect Group Jewellery Industry Park and responses from the customers for the sales of the Perfect Group Jewllery Industry Park is satisfactory. A number of purchasers is expected to move in the Perfect Group Jewellery Industry Park in the latter half of the year.

Financial review

Revenue

The Group's revenue for the six months ended 30 June 2018 was approximately HK$182.2 million (six months ended 30 June 2017: approximately HK$179.0 million), representing an increase of approximately 1.8% over the corresponding period of 2017. The increase in revenue for the six months ended 30 June 2018 was mainly attributable to the slight increase in the sales of rings and bracelets, and the sales in the PRC market.

For the six months ended 30 June 2018, revenue by product types followed relatively similar pattern as that for the corresponding period in 2017. The sales of rings and earrings continued to be the major products of the sales for the period which accounted for approximately 33.4% and 26.8% of total revenue in 2018 (six months ended 30 June 2017: approximately 32.8% and 28.0%) respectively. The sales of pendants and bangles remained stable in the product mix which accounted for approximately 11.3% and 11.3% (six months ended 30 June 2017: approximately 11.3% and 12.3%) respectively.

Gross Profit

The Group's gross profit and gross profit margin for the six months ended 30 June 2018 were approximately HK$49.5 million and 27.2%. The Group's gross profit and the gross profit margin for the corresponding period of 2017, excluding the release on the provision of staff benefits of approximately HK$7.0 million, were approximately HK$50.5 million and approximately 28.2%. Both the gross profit and gross profit margin were at similar level as that for the corresponding period of 2017.

Other Income

Other income comprised mostly of bank interest income of approximately HK$405,000 (six months ended 30 June 2017: approximately HK$305,000) received during the period. The Group also recorded a gain of approximately HK$200,000 (six months ended 30 June 2017: nil) on the disposal of an investment.

Other Gains and Losses

Other gains and losses included an allowance for doubtful debts amounting to approximately HK$784,000 (six months ended 30 June 2017: approximately HK$1,029,000). Moreover, there was a net foreign exchange gain of HK$314,000 compared with a loss of HK$313,000 of the corresponding period of 2017, primarily due to the fluctuation of RMB at the period end date.

Finance costs

The finance costs for the six months ended 30 June 2018 was approximately HK$531,000 (six months ended 30 June 2017: approximately HK$534,000). All of the interests charged to the profit or loss in the current period represents interest of trust receipt loan. In the corresponding period, finance costs included interest of trust receipt loan and interest of other borrowings which were fully repaid on 7 March 2017.

Selling and Distribution Costs

The selling and distribution costs for the six months ended 30 June 2018 was relatively stable, which only increased slightly from HK$8.02 million to HK$8.17 million, representing an increase of approximately 1.8%, as compared with corresponding period in 2017. The increase was in line with the increase in revenue.

General and Administrative Expenses

The general and administrative expenses for the six months ended 30 June 2018 was approximately HK$22.2 million (six months ended 30 June 2017: approximately HK$18.4 million), representing an increase of approximately 21.1% over the corresponding period of 2017. The increase in general and administrative expenses was mainly attributable to the equity-settled share option expense for the six months ended 30 June 2018 of approximately HK$4.2 million (six months ended 30 June 2017: approximately HK$832,000). The general and administrative expenses, after excluding the equity-settled share option expense, increased by approximately 3.2% as compared with corresponding period of 2017.

Profit for the Period

As a result of the above factors, profit for the six months ended 30 June 2018 was approximately HK$16.0 million (six months ended 30 June 2017: approximately HK$26.0 million), representing a decrease of approximately 38.6%. However, on a comparable basis, after excluding the reversal of the provision of staff benefits of approximately HK$7.0 million recorded in the corresponding period in 2017, the adjusted profit for the corresponding period in 2017 was approximately HK$19.0 million.

Liquidity and financial resources

As at 30 June 2018, the Group had current assets of approximately HK$779.8 million (as at 31 December 2017: approximately HK$536.8 million) which comprised of bank balances and cash of approximately HK$145.9 million (as at 31 December 2017: approximately HK$59.5 million) and properties under development for sales of approximately HK$301.1 million as at 30 June 2018 (as at 31 December 2017: approximately HK$186.4 million). As at 30 June 2018, the current liabilities amounted to approximately HK$153.7 million (as at 31 December 2017: approximately HK$64.6 million). The significant increase is because of receipt in advance from customers. The current ratio, being the ratio of current assets to current liabilities, was approximately 5.07 as at 30 June 2018 (as at 31 December 2017: 8.31).

During the period, the Group obtained new long term bank loans in the amount of HK$239.8 million.

The financial resources for the operation of the Group were mainly derived from the cash inflows from operating activities and new long term bank loan for the construction of Perfect Group Jewellery Industry Park. 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

The gearing ratio of the Group, calculated as to total debt (including bank loans) divided by total equity, was approximately 41.5% (as at 31 December 2017: 4.9%)

Charge of assets

There was no charge on the Group's asset as at 30 June 2018 (as at 31 December 2017: Nil).

Capital commitments

The Group had capital commitments of approximately HK$315.2 million as at 30 June 2018 (as at 31 December 2017: approximately HK$437.3 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 2018 (as at 31 December 2017: Nil).

Employee and remuneration policy

As at 30 June 2018, the Group had approximately 263 employees (six month ended 30 June 2017: 244 employees) in Hong Kong and the PRC. The total salaries and related costs for the six months ended 30 June 2018 amounted to approximately HK$21.8 million (six months ended 30 June 2017: HK$12.0 million). During the six months ended 30 June 2018, the staff salary and related costs, other than the Directors' remuneration, was HK$12.5 million (six months ended 30 June 2017: HK$6.3 million). The main reason for the decrease was because during the six months ended 30 June 2017, there was a reversal of provision on staff benefits for previous years amounting to RMB6.1 million (equivalent to approximately HK$7.0 million) as the directors of the Company considered that crystallisation of such provision as a liability was remote. On the other hand, the Group recongised share-based payment expense of HK$4.1 million during the six months ended 30 June 2018 (six month ended 2017: HK$0.8 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 2018, 2,160,000 share options were lapsed (six months ended 30 June 2017: 480,000 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

Despite sales of the jewellery business for the six months ended 30 June 2018 was satisfactory, the Group considered that the business of the jewellery may be affected by the diplomatic and economic spat in the Middle East, in particular, in the region of Turkey, where certain of the Group's customers are from. On the other hand, the Group has taken steps to explore the PRC market with two shops established in the Shunde District. The Group has also planned to hold a jewellery show in Perfect Expo, the exhibition building inside the Perfect Group Jewellery Industry Park, in the latter half of the year with support from the Shunde District Government. This will be the first show and fair held in Perfect Expo and the Group intends to hold shows and fairs there on a regular basis.

The development of Perfect Group Jewellery Park is progressing as scheduled. The Perfect Factory has already been relocated into the Perfect Group Jewellery Industry Park. The construction work for the Perfect Expo is expected to be completed soon. The response from the customers are very encouraging and a number of pre-sales contracts has been signed with customers. A number of the purchasers are expected to move in the Perfect Group Jewellery Industry Park in the latter half of the year. The Group is working towards transferring the ownerships of these area to customers as soon as possible.

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 2018 (For the six months ended 30 June 2017: HK$0.01) payable on Friday, 21 September 2018 to the shareholders whose names appear on the register of members of the Company on Friday, 7 September 2018.

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, 5 September 2018 to Friday, 7 September 2018 (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, 4 September 2018.

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 2018, approximately HK$71.8 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 2018**	**Remaining balance as at 30 June 2018**
	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	14,921	1,916
Enhancing the CRM system	3,597	3,597	828	2,769
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	71,848	4,685

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 2018, 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 2018.

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 2018.

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 2018.

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 2018 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, 20 August 2018

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.